

Enlargement 2007:
Romania, Bulgaria and the Path to the European Union

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Abstract

With the enlargement of the EU to 27 member states in 2007, this thesis considers the transition process of Romania and Bulgaria from the fall of communism in 1989 to accession to the European Union in 2007. The research focuses on the political and economic reforms of Romania and Bulgaria, using a chronological approach, to explore the concept of EU impact on countries in transition. The thesis focuses specifically on the ideas of European conditionality and leverage, in order to answer questions on the importance of the EU's external influence on these two countries, as well as discussing future implications for candidate countries in transition.

Introduction.

On the 1st January 2007, the European Union welcomed its two newest members, Romania and Bulgaria. This thesis is an attempt to understand the path these countries took to get to this end goal. Furthermore it will be seen that by analysing the path to transition for these two countries, there can be some understanding of the transition process in Eastern Europe in general, and how this transition process may have implications for future countries from this area of Europe wishing to become members of the Europe Club.

The research question this thesis seeks to answer is :

‘What impact has the European Union had on the process of transition from communism to multi-party democracy in Romania and Bulgaria from 1990 to the accession date of 2007? How much of these changes can be directly linked to EU intervention, or would this transition have occurred to the same level without the influence of the EU?’

The nature of the above problem can be narrowed down to one key concept, the concept of European Union impact, especially when related to ideas of enlargement specifically targeted by the European Union. It is necessary to understand for future enlargement prospects in Europe the role that the Union plays in this process, and this thesis is an attempt to gauge this role.

The thesis consists of five parts. The first part outlines the historical background of the two countries in question to show how past events and political and economic history have contributed to the two countries attitudes towards transition. This section is intended to show how these events have impacted on the transition period from 1990, especially the post-1945 communist period, to explain the relatively slow pace of reform change in Romania and Bulgaria in comparison to other ex-communist countries. As European Union enlargement is a core idea of this thesis, this section focuses first on a brief overview of the European Union enlargement process in general, before examining in more depth the issue of enlargement in Bulgaria

and Romania. This part of the research examines what role the European Union has had in the transition of these two countries, and whether the successful and relatively swift pace of reform from 2000 onwards is due to direct involvement with the EU enlargement process, or whether this process is more of a natural state, with influence from the EU not making much of an impact in the transition of Bulgaria and Romania

The second part of the work is concerned with the European Union and its approach to Eastern European enlargement: methodology and theory. This section is a detailed analysis of the European Union and Eastern European relationship, specifically the approach to enlargement, both with Eastern Europe in general and Romania and Bulgaria in specific. As this project is primarily literature based, this section draws heavily on theory to explain the relationship between the EU and Eastern Europe. One of the major theories that this thesis has relied on to gauge the impact of the EU on countries in transition that this thesis is focused on, Bulgaria and Romania, is Vachudova's theory of 'active and passive leverage'. As the author has applied this theory to Romania and Bulgaria this thesis compares Vachudova's theory to other theories of eastern enlargement such as Grabbe's theory of European conditionality being the driving force behind post-communist transition. By applying both of these theories to Bulgaria and Romania it will be possible to have a clearer picture on how the desire for EU membership has shaped the transition goals of Romania and Bulgaria, as well as yielding some answers as to whether the transition process has been guided or forced by the European Union. Pridham and Dinan both have variations on these theories to explain EU impact on countries in transition. Dinan's theory is analysed to see if his assertion that the EU's primary concern in strengthening ties with Eastern Europe can be seen as mainly focused from an economic integration point of view, whilst emphasising the importance of security in the region can be directly applied to the European Union and Romania and Bulgaria, as is his discussion on the EU member states attitude of fear towards Eastern Europe, citing the Union's desire for EU enlargement as a defence against mass migration, causing these states to cooperate with enlargement based on the

ideas of asylum, immigration and policing. Van Oderanan discusses the desire for Romania and Bulgaria to strengthen this relationship as a valuable tool for protection against the instability of the former Soviet Union and the desire to have input into the institutions shaping the development of Europe, and this theory is analysed to see if it has any relevance to the development of the EU-EE relationship.

Bell attempts to make a case that EU enlargement for Bulgaria would be a concrete way to escape its past alliance with the Soviet Union and to improve global relations, and this theory has been tested to see whether this is a key issue in Bulgarian reform, or just another stepping stone in the path to the EU. One of the major theories that cannot be ignored is the theory of 'return to Europe' mentioned in the texts of Cameron, Mair and Croft. As this has become a well recognised theory, this thesis will examine what impact this theory has had on the relationship between the EU and Eastern Europe, in relation to both political and economic transition. By analysing the theories listed above this thesis attempts to draw a picture of the relationship between the EU and Eastern Europe, a picture that has importance when examining the accession process for Romania and Bulgaria, and examining the impact of the European Union on these two countries in transition.

Part three focuses on the chronological timeline of transition in Romania and Bulgaria. The thesis takes a timeline approach from the fall of communism in 1989 onwards, outlining key economic and political events, governmental and institutional change and judicial reform to show how effective transition has been in these two countries. Analysis is made using governmental documentation from the two countries in question, European Union Annual Reports on the progress towards reform in these countries, statistics from organisations such as PHARE (Poland and Hungary: Assistance for Restructuring their Economies) and EBRD (European Bank for Reconstruction and Development) to track both economic reform, and the implementation of legislation from both countries to outline judicial reform. Special care has been taken to analyse the attitude of both of these countries to transition in general, with the chronological approach taken helping to show

how transparent the reform process has been. By analysing the government's attitude to reform, an accurate gauge can be drawn to see the desire for real reform in these countries, and by accurately analysing the government's attitude to reform this also makes the government's attitudes towards EU accession clear, an important factor in the transition progress of these two countries. Special attention is paid to the events of 1996-1997 in Eastern Europe, as these can be seen as the years when the reform process changed dramatically in both Romania and Bulgaria, and marks the crucial turning point for transition in these two countries, enabling them to become new Member States of the European Union in 2007.

Poole lays much emphasis on the desire of Eastern European countries to enter the eurozone, planning on enlargement as a way to gain increased stability and higher levels of foreign direct investment (FDI). This theory will be used to establish whether enlargement remains for both countries as a means to establish a stable economic system, or whether the desire to enter the European Union consists of a more multi-faceted approach, desiring not just economic stability but political and social reform to the point where these countries can be considered as having returned to Europe. Primary documents from these two countries and the European Union have been used to highlight major developments, especially from 1996 onwards to see if there can be pinpointed any reasons for why certain reforms happened when they did, and whether these reforms had been forced by the EU, or if there can be seen to be a clear desire by leading elites to make these changes (with the goal of membership an added bonus). Some simple analysis of economic data is used to help gauge if there was a genuine desire for change or whether governing agencies saw EU membership as a way to secure financial and political security for these two countries. The European Commission has a regular reporting policy on countries in transition, as well as a well defined framework for accession contained in the Copenhagen Criteria and the *acquis communautaire*. By using these regular reports issued by the Commission as a basis for analysis, this research tracks how the reports have influenced the transition of these two countries from 1989, before focusing more closely on the reform process from 2000, to gauge how much impact the EU has had on

reform in Romania and Bulgaria. As both these countries signed accession partnerships in 2000, the Regular Reports from the Commission that follow from this date are important to analyse, while other important documents produced in this period including the 2002 Roadmaps for Romania and Bulgaria, and the financial package documents of 2004, (which also contain valuable instructions and assessments on the viability of accession to the Union) are analysed in the research and their importance is not taken lightly. The Commission documents are also important in helping to explain governmental and institutional change in this time period, as well as assisting to assess the importance of EU documentation in helping to create change in countries in transition. The adoption and implementation of legislation is also an important process of countries in transition and no analysis of the transition of Romania and Bulgaria would be complete without chronicling the major impact of legislative reform on the transition process of these two countries.

The fourth part of this thesis is concerned with the central idea guiding this work, the key concept of impact: the impact that the European Union has had on the pace of reform in Romania and Bulgaria. This section focuses on the outcomes of the research in the previous parts of the thesis to give an accurate picture of the specific areas that have been impacted by the European Union. This focuses primarily on the transition in the areas of economic, political and institutional change, and by looking at these three key reform issues, European Union impact can be judged as to its importance in the transition process. The research contained in the above sections will show just how important the European Union is to the process of reform in general in post-communist countries and this will have implications for countries that are still regarded as potential candidates and these countries will need to take lessons from the accession progress of Romania and Bulgaria if they do intend to become part of the Union at some point in the future.

The concluding part of the thesis is concerned with the situation of Romania and Bulgaria post-accession. This section investigates the continued pace of reform in Romania and Bulgaria since 2007, and examines the effectiveness of European conditionality and leverage once a country has become a Member

State. Can any conclusions be drawn from the accession experiences of Romania and Bulgaria in respect to further European enlargement to the East? The last section of this research, before moving onto the conclusionary statements, focuses on answering this question, examining how the accession of Romania and Bulgaria may have very real consequences for candidate and potential candidate countries in the future.

2. Romania and Bulgaria before and during communism

In looking at the post-communist transformation of countries such as Bulgaria and Romania, there must be no discounting the importance of the political and economic history of these regions. An analysis of the past history can help in some way to explain the path of reform in these two countries, with the history of stability, both economic and political, in Romania and Bulgaria, being important in helping to explain the cautious approach to reform taken by the first post-communist governments in these two countries after the fall of the Berlin Wall. It is necessary therefore to examine briefly the history of Romania and Bulgaria, before moving on to a more detailed analysis of how this history has impacted on the transition period from 1990. This chapter intends to outline the history of these two countries, as a general overview, with conclusions about how this history relates to the situation in both Romania and Bulgaria in 1989, before moving onto a comparative analysis of the Romanian and Bulgarian communist system and governance, with the last sections examining the relationship between Eastern Europe and the European Union in general before focusing on the ties between Romania, Bulgaria, and the West.

2.1 A Short history of Romania and Bulgaria until 1989

Nelson states that the 'principal dilemma of Romania's pre-communist political heritage was conflict between dominant social interests and state interests, that is, between Romanian society and those who controlled the Romanian polity'¹ This statement can be applied to all aspects of Romania's political history from the country's beginnings as a Dacian state in 513 BC, made up of various principalities until the 11th Century when different parts of the territory were controlled by various Empires, until the Middle Ages, when the larger principalities such as Moldavia and Wallachia came under the control of the Ottoman Empire. The entire Balkan Peninsula and most of

¹ Daniel N Nelson, *Romania in the 1980's*, . Westview Special Studies on the Soviet Union and Eastern Europe (Westview Press, Boulder, 1981). p 17

Hungary had come under the leadership of the Ottoman Empire by 1541, as designated Ottoman provinces, while Moldavia, Wallachia and Transylvania retained some autonomy, coming under Ottoman suzerainty until the 18th Century. The 'National Awakening of Romania' began in 1848, bringing revolution to Moldavia, Wallachia and Transylvania (which had become a territory in the Habsburgs Austrian Empire).² This was the first step towards the formation of what is today seen as modern Romania, spurring the national movement towards independence from the Ottoman and Hapsburg Empires and bringing together a group of territories united both in their language and interest.

As the Renaissance began in Europe in the 14th century, Western and Eastern Europe began to change. As the West was beginning to see reform as a consolidation of national consciousness (one of the guiding ideas of the Renaissance) in the East any awareness of this national consciousness was hidden beneath religious and feudal loyalties.³ From a historical perspective feudalism can be seen to be a regime of under-development, and the lack of reform due to this underdevelopment was to have major implications for Romania in terms of growth towards multi-party democracy. Romanian history in the nineteenth and twentieth centuries can be characterised by the desire to unite all the Principalities under one common leader and the evolution of what can be termed today as modern Romania took two centuries to occur, starting from the latter part of the eighteenth century and not being completed until the end of World War II in 1945. These two centuries were also the period that established Romania's policy towards Russia, a policy that was to have far-reaching effects on Romania's communist and post-communist relations with that country, mostly stemming from the loss of territory due to the 1878 Treaty of Berlin and the perceived growth in Russian power due to the Russo-Turkish Wars.

² For a good general overview of Romanian history please see Kenneth Johnstone *The Place of Romania in European History: Part One and Two* History Today, May 1978, Vol. 28, Issue 5, and Keith Hitchins, *Rumania 1866-1947* (Oxford: Clarendon Press, 1994)

³ Robin Okey, *Eastern Europe 1740-1890: Feudalism to Communism* (London: Hutchinson and Co Ltd, 1982) pp 17-20

Romania in the second half of the eighteenth century turned first to Russia to help overthrow Ottoman domination. The Russian response, which at first seemed a benign influence, helped at first to undermine the Ottoman leaders in individual principalities, but this situation was soon to change as Russia became steadily more aggressive, annexing territory and causing Romania to fear that the country would be swapping Ottoman rule for that of Russian.⁴ A revolution by Romanian national movements was stalled by the Russians in 1848, but helped to highlight to world powers the genuine desire of the Romanian nationalists for independence. With the signing of the Treaty of San Stefano (1878) relations between Russia and Romania became even more strained, as, even though the Treaty signified the end of Ottoman rule, Romanian territory (notably southern Bessarabia) was ceded to the Russians. Figure 1 outlines the territory that made up the independent state of Romania from this point until the start of WWI.



Figure 1: Romanian territory 1878-1913

After Romania gained her independence from the Ottoman Empire in 1878, it was left to the two dominant political parties: The Conservatives and the Liberals, who were left to define political, economic and foreign policy for the new nation state. With the ratifying of the Romanian Constitution (promulgated in 1866 and implemented after Romanian independence), the principle of separation of powers and the mechanism of democratic checks

⁴ Hitchins, p 4

and balances was, in theory, put into practise. The Constitution established a civil service, systems of finance and a small national militia.⁵ While the Constitution, and the revisions to it made in 1884 resembled very much a democratic constitution of today, the reality of Romanian party politics at this time was that it was a constitution on paper only, with parties showing scant respect for the laws which they themselves had formulated.

Politics in Romania had remained strictly confined to the landlord class, and by 1869 elections were more about ratifying changes of government already made by the monarchy.⁶ It was not until the proclamation of Romania as a Kingdom and the achievement of independence in 1878 that there was any significant change to the idea of national development for the new nation state. There was an attempt by the governing bodies to address national issues such as the adoption of a national monetary system, and the formation of the Romanian banking industry. The importance of reform to encourage the growth of industry, based on the progress of the industrial revolution in Western Europe, was an idea that politicians of both Liberal and Conservative persuasion were eager to put into place. However, because of the large peasant base in Romania, this predominantly agrarian society did not achieve any significant industrialisation before 1914. Barington Moore's thesis argues persuasively that the existence of a relatively strong landlord class influences the political structure, and events between 1870 and 1939 directly relate to the situation in Romania, from the first glimmerings of independence from the Ottoman Empire, especially when taking into account active opposition to democratic regimes by the reigning landlord class,⁷ who were also major actors in the political system.

Romanian foreign policy at this time can be shown to be one of neutrality, with Hitchins stating that 'the political structure of the Romanian Kingdom between 1881-1914 remained essentially that of the Principality'⁸. Foreign

⁵ Johnstone, p 321

⁶ Okey, p 136

⁷ John Stephens, John and G. Kümmel, in *Authoritarianism and Democracy in Europe 1919-1939*, (Houndsmills :Palgrave Macmillian, 2002), p 52

⁸ Keith Hitchins, *Rumania: 1866-1947*, (Oxford: Clarendon Press, 1994) p 90.

policy during this time period can be related directly to Romania's position in the world in the future, both under a communist and post-communist political system. The alliances that Romania started to form in this period were to have far-reaching implications for Romania in the 20th and 21st Centuries. One of the most important and influential influences on Romania was that of France. Louis Napoleon (1808-1873) was instrumental in smoothing the way for the new, united Romania in 1859.⁹ This was the start of the Franco-Romanian Alliance which was to prove influential, especially in Romania's dealings with Western Europe in the 20th Century, culminating in the Franco-Romanian Treaty of Alliance and Friendship signed in 1926.¹⁰ Romania looked to France for blueprints for its educational, cultural and military models. As mentioned earlier in this section, it is from this time period also that can be traced Romania's animosity to Russia, which was the precursor of future Romanian-Soviet relations, especially in regards to Romania's place in the Soviet Bloc during the Cold War, due to the territory disputes during the time of the consultation on the Treaty of Berlin and the promises made that Romania considered were not kept under this Treaty.

Before WWI Romania was a constitutional monarchy based on a two-party system alternating between Conservative and Liberal parties, and the territorial reunification of Romania at the end of WWI in 1918 led to the creation of an unstructured multi-party system, based around the unification project as opposed to a true ideological reform.¹¹ Romania's foreign policy position at this point in time was still one of neutrality. The Romanian government feared that her geographic position would put the country in the path of the escalating conflict, with lack of preparedness of the Romanian army to fight in the war, opposing views in the parliament about which side to support and the aggressive behaviour of Austria-Hungary towards Serbia helping to maintain a position of neutrality for Romania until 1916.¹² This position was not a factor

⁹ Kenneth Johnstone, 'The Place of Romania in European History: Part One' *History Today*, May 1978, Vol. 28 Issue 5 pp313-321, p 321

¹⁰ Dennis Deletant 'A Balancing Act- Romania 1919-40' *History Today*, June 1992, Vol. 42, Issue 6, pp48-54, p 50

¹¹ Alexandru Jereb, The Road to Europe II: When Will the Next Enlargement Occur?, *Southeast European Politics*, November 2005, Vol. VI, No. 2 pp 126-138

¹² Hitchens, p 251

during WWI, as both secret treaties and the desire for further territorial expansion overthrew any political strategy to stay neutral and in 1916 Romania entered World War One on the side of the Entente, after being promised recognition of Romanian rights over Transylvania. By May 1918 Romania had been defeated, negotiating a peace treaty with Germany and re-entering the war in November 1918. This resulted in the birth of Greater Romania (Romania Mare) after the disintegration of both the Russian and Austro-Hungarian empires. Figure 2 shows the newly united territories of Romania at the end of WWI, indicative of the nation state of today.



Figure 2: Greater Romania 1920-1940

Okey has described the period 1918-1939 as ‘unique in the modern history of Eastern Europe’.¹³ This was the only time period until after 1989 that Romania, (as well as other states in Central and Eastern Europe) enjoyed an similarity of political system with that of their western counterparts, Deletant calling the position of Romania in the interwar period ‘in many respects typical of the so-called ‘successor’ states created from the dismemberment of the three empires of the Hapsburgs, Ottomans and Romanovs’¹⁴, a view

¹³ Okey, p 157

¹⁴ Deletant, p 49

supported by Petrovic, characterising the similarity of political conditions in Romania with those of other Eastern and Central Eastern states at this time.¹⁵

The adoption of the 1923 Constitution established Romania as a democracy, even though this cannot be characterised as a totally stable system when compared to other countries in Western Europe at this time, with the Romanian version of democracy only continuing through until the establishment of the royal dictatorship in 1938. The distinctive difference in this region of Europe was the fact that the failure of peasant movements to effectively mobilise raised the prospect of more militant movements coming to power, from both the left and right political spectrum. This can be characterised in Romania in the growth of first royal and then military dictatorships leading up to WWII. Stephens and Kúmmel characterise the Romanian governments' failure to carry out effective land reform contributing to the failure of a full transformation of rural class relations, leading to the growth of militant movements in Romania.¹⁶ Fischer-Galati blames the failure of the peacemakers at the end of WWI to 'address and resolve issues relevant to peace in Europe in general and Eastern Europe in particular'¹⁷ to help explain the number of crises facing Romania in the interwar years, and the move towards right-leaning dictatorships, whilst Deletant states that

‘...in the enlarged Romanian state, problems which, in the brief interlude of the inter-war period, Romania’s leaders had little time, capacity and the will to address. The failure to solve them (and the Western democracies provided precious little help to this end) was to blight the country’s progress towards modernisation and the exercise of genuine democratic rule’¹⁸

Hitchins characterises the period between the two World Wars as that of ‘the Great Debate’ in which two broad groupings of intellectuals (designated as

¹⁵ Milenko Petrovic, “The role of geography and history in determining the slower progress of post-communist transition in the Balkans”, *Communist and Post-Communist Studies* 41 (2008) pp 123-145, p 135

¹⁶ Stephens and Kúmmel, p 57

¹⁷ Stephen Fischer-Galati “Romania, Crisis without Compromise” in *The Conditions of Democracy in Europe 19-39* (Dirk Berg-Schlosser and Jeremy Mitchell, eds) (, New York :St Martins Press , 2000)

¹⁸ Deletant, p 51

Europeans and traditionalists) sought to define how the country should develop.¹⁹ The former treated Romania as a part of Europe, and insisted that the country needed to follow the example of urbanisation and industrialisation of the West, while the traditionalists sought to define Romania's agrarian character as its defining social and cultural heritage.²⁰

A combination of these theories can go towards explaining the fact that from 1918-1938 Romania was only nominally a liberal constitutional monarchy (the only time in the country's history until 1989) before being transformed into a system of dictatorship, both military and monarchical until 1944. Monarchical dictatorship was first entered into in 1938 as an attempt by King Carol II (1893-1953) to negate the growing popularity of the right-wing party (Totul pentru Țară, more commonly known as the Iron Guard). Carol II dissolved the party political system, and abolished the Constitution on 1923, announcing sweeping changes to Romanian law, and focusing on suppressing political opposition.²¹ However, massive popular support for the Iron Guard meant that by 1940 Carol II had no option but to legitimise the Iron Guard as part of the continuation of his dictatorship, and, with the beginning of WWII, Carol turned to General Ion Antonescu (leader of the Iron Guard) to help maintain control over the country. With German support, Carol II was forced to abdicate, the newly crowned King Michael quickly giving Antonescu full powers as leader of the state, thus completing the transfer of power to the military dictatorship of the Iron Guard, with the monarchy remaining only as a figurehead.²² WWII and its aftermath changed the political spectrum in both Romania and in Europe as a whole, with the two halves of Europe becoming separated by the Iron Curtain, due to the end of WWII, until the collapse of the Soviet system in 1989.

The end of WWII signalled the end of Romania's development towards multi-party democracy, which had first been terminated in the 1930's before being sidelined by the World War. After the overthrow of the Antonescu dictatorship in 1944, Romania was occupied by the Soviet army, whose first

¹⁹ Hitchins, p 292

²⁰ *Ibid* p 293

²¹ Hitchins, p 421

²² *Ibid* p 455

action was the elevation of the Romanian communist party to power, and the signing of an armistice agreement that included millions of dollars of reparations to the Soviet Union for losses during military operations on its territory, Romania was placed under the Soviet sphere of influence under the 'percentage agreements' in what Crampton has described as a 'cavalier attitude'²³, and had adopted the Soviet style command economy and the creation of a communist-style People's Republic by 1947, mostly due to two years of Romanian Communist Party agitation to create a large bloc of political parties to legitimise Party control of the country, and oppress any potential opposition.²⁴ After the elections of 1946, the leading bloc of parties reorganised the governmental system and set about to eliminate any opposition and tighten control of the economy, introducing central planning. After removing all opposition through waves of arrests and by forcing the King to abdicate, on 30 December 1947 the Romanian People's Republic was announced.²⁵ However, Romania can be seen to be a uniquely independent state in the Soviet system. Its continued animosity to Russia, formulated in the nineteenth century, enabled the state to develop an autonomy from some aspects of the Soviet Bloc, including Romania's refusal to take side with the Soviet Union in its conflict with China, its decision to pursue trading and foreign aid links with the West, and its unique style of political leadership, encompassing dictatorship under the authoritarian governance of Gheorghe Gheorghiu-Dej (leader 1948-1965) and Nicolae Ceaușescu (leader 1965-1989) as well as its desire to follow traditional Soviet planned economy norms of industrialisation and centralisation.

Both of these leaders enforced upon their countrymen a communist-style rule, complete with total state control of enterprises, no freedom of speech or association, the occasional purge of 'state enemies' and a powerful police state. Ceaușescu's denunciation of the Soviet invasion of Czechoslovakia made the country seem more palatable to the West, solidifying trade and aid linkages and helping to give the dictator a more positive image both in

²³ R J Crampton. *Eastern Europe in the Twentieth Century* (London :Routledge, 1994) p 211

²⁴ Hitchens, pp 532-3

²⁵ *Ibid* p 547

Romania and the rest of the world. The country was rewarded for its more independent leadership style (than other Central and East Europe countries) with the offer of special agreements with the European Economic Community (EEC) concerning trade and the liberalisation of import quotas.²⁶ This situation was not to last, as by the late 1970's the economic situation in Eastern Europe was worsening, Romania being heavily in debt to the West. While this was not unique in Eastern Europe, Ceaușescu's reaction to the rising debt level was. Unlike other Eastern European countries where some small reforms were made to the economy, in order to hold off the worst effects of the worsening situation, (for example small business liberalisation and some forms of agricultural reform) Ceaușescu's solution to the economic problem was to tighten his grip on the country and to push his citizenship into overdrive to try and pay back the Western debt at a faster rate than was required. This not only severely impoverished the country but also plunged it into an overwhelming financial crisis by the mid-1980's. The combination of this financial situation and the Communist Party's refusal to even consider any sort of reform (even mild reforms as mentioned earlier) was to lead to disastrous results for the country in 1989. Figure 4 gives an indication, using GDP as a measure, to show how lack of economic reforms contributed to a worsening economic situation, and just how important the goal of European Union membership is to a country in financial crisis as it can be seen that after the conscious decision to actively pursue EU membership, the economic situation improved dramatically.

²⁶ Smith, p 29

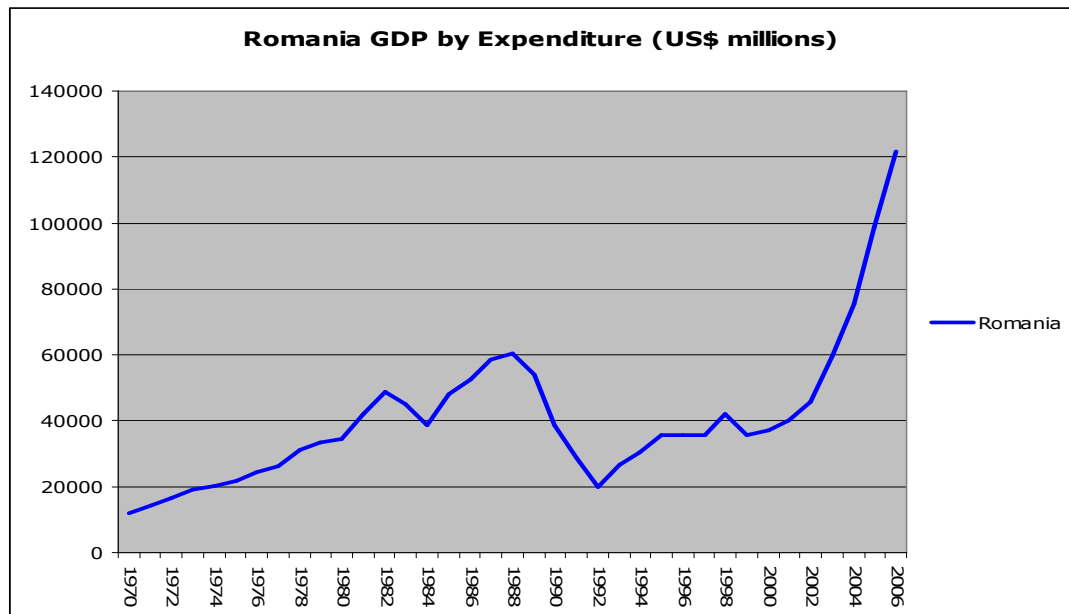


Figure 3: Romania - Gross Domestic Product 1980-2005 by expenditure (Data source: OECD)

Romania's unique form of 'independence' from the Kremlin allowed the Ceaușescu dictatorship to dismiss any of the reform developments in the Soviet Union in the 1980's such as *glasnost* and *perestroika* as irrelevant to the Romania, as any call for reform was seen by the governing body as a betrayal of the national interest.²⁷ This was to mean that reform, in the form of revolution, when it came about in 1989, was not as peaceful and bloodless as carried out in other Central and Eastern countries, but resulted in a violent overthrow of the leading powers and the execution of the Ceaușescus' in December 1989. Speculation exists about whether this revolution was the product of a carefully planned coup or an involvement by the second-hand communist elite²⁸. Regardless of the background to the revolution, by the end of 1989 there was a significant power shift in the governance of Romania, from a Stalinist dictatorship to a nominal multi-party system headed by a political party composed mainly of reconstructed communist elites who still maintained rule using primarily communist means. This will be examined more closely in the following chapters to show how this lack of a real change

²⁷ Jereb, p 128

²⁸ For further information regarding this, refer to Jackson, 1995, Dellenbrant, 1993 and Tismanueau, 1991 as well as the statement made by Romanian Defence Minister General Nicole Militaru made to Reuters 1990 about the creation of the NSF six months before the revolution.

of government has had a direct and lasting impact on the economic and political transition of Romania, and its goal of joining the European Union.

The development of Bulgaria into today's nation state can be contrasted sharply with the history of Romania detailed above. Settled by the Bulgars in the 7th century from Central Asia, this ethnic group merged with the local Slavic inhabitants to form the first Bulgarian State (7C-10C), which was characterised by the adoption of the Cyrillic alphabet, and the establishment of the Christian Church. The Second Bulgarian State (1185-1382) saw the expansion of Bulgaria until it dominated the Balkans, and the eventual independence of Bulgaria from Byzantine. 1382 saw the establishment of Ottoman Bulgaria, which was to last until the 'national awakening of Bulgaria' in the nineteenth century. Bulgaria was liberated in 1878 by an army consisting mostly of Russians during the Russo-Turkish Wars (1876-78). This liberation was to shape the course of Bulgaria's strong alliance with Russia, which was to have lasting consequences on Bulgarian foreign policy in regards to the Soviet Union post pre and post WWII. The liberation of Bulgaria resulted in the development of the Bulgarian state, which covered the territory of Moesia, Thrace and Macedonia. Because of Bulgaria's strong ties with Russia, the Great Powers scaled back the original plans of the Bulgarian boundaries, fearing an upset in the balance of power in Europe, especially in regards to the establishment of a large Russian state which could be perceived as a threat to the Great Powers. As a result of this, the original boundaries were scaled back, with the new Treaty of Berlin (1878) establishing the Principality of Bulgaria, which was nominally under Ottoman rule but was ruled by a Prince elected by Bulgarian nobles and approved by the Great Powers. (see Figure 4 for a map of Bulgarian territories)



Figure 4: Bulgarian Territory established under the Treaty of Berlin 1878

By 1883 Bulgaria was firmly within the sphere of Russian influence, and the first socialist party based on Marxist principles was established in the country by 1891. Russians were also very much a part of Bulgarian politics partly due to the popular respect held for them by the country. They had great influence over the Bulgarian army as most of the officers and all of the senior officers were Russian, as was the Minister of War.²⁹ As with Romania, Bulgaria had the appearance of a stable democracy, but the reality was that Bulgaria was a democratic state characterised by government instability. The major instability factor was the divide between the two most powerful political groups, the Conservatives and the Liberals, and much of this time period involved many unstable government coalitions between these two parties, with overall power resting in the hands of the Conservative appointed Prince, who (under the Turnovo Constitution) was commander-in-chief of the armed forces, could convene, prorogue or dissolve the assembly and had to give consent before any legislation could be adopted.³⁰ The 1883 parliamentary coalition was seen as a temporary coalition to try and bring about some

²⁹ R.J.Crampton, , *Bulgaria 1878-1918: A History*, (New York :Columbia University Press, 1983) ,p 37

³⁰ R J Crampton, *Bulgaria* (Oxford :Oxford University Press, 2007) , p 99

stability, and to a certain extent this was achieved, as the years 1883-5 were the most stable period in Bulgarian politics before the end of WWII. The only major conflict during this time was with the Liberal government attitude towards Russia. Whilst the Conservatives were content to accept this coalition government, hoping it would bring about a measure of constitutional reform, the Liberals had no intention of letting Russia dictate the terms of its foreign policy, especially in regards to the Russian control of the Bulgarian Army through its officer class. For the Russians the Bulgarian army was important because in any forward move by the Russians in the Balkans the Bulgarian force would form a valuable role in the advance.

By 1885 Bulgaria was in a state of crisis again, fuelled by unstable political coalitions, massive corruption by government officials and social and economic unrest, a situation not unlike that in the early 1990's. In addition to this was the short-lived war against Serbia (1885), in which Serbia demanded territorial reparation for Bulgarian attempts at territorial gain through the annexing of Eastern Rumelia. The Bulgarians, even though victorious, were halted while on Serbian soil by Austro-Hungarian diplomatic intervention, and with the signing of the Treaty of Bucharest the following year, the status quo pre-1885 was maintained.³¹ The political situation of unstable coalitions was a cycle that Bulgaria would continue to revolve in until the Declaration of Independence in 1908. Both political and monarchical leaders struggled from 1887-1908 to make any political headway, resulting in a number of coalition governments characterised by the frequent splintering of parties, with no strong political personality to challenge the growing authority of the monarchy.³² After the 1908 Declaration, one of the first actions of the new coalition government was to fall into support of Russian foreign policy. Crampton shows just how influential the foreign policy considerations of Russia were on the Bulgarian government, especially in regards to the Russian wish for a Balkan Alliance directed at the containment of Austria.³³

³¹ *Ibid* pp 124-125

³² Crampton, p 146

³³ For more detailed information, please look at Crampton, R.J., *Bulgaria 1878-1918: A History*, especially Part III : The Pangs of War 1912-1918

By the outbreak of WWI Bulgaria had played an integral part in the Balkan Wars (1912-1913), and had become disenchanted with Russia regarding its perceived loss of territories and the rate of casualties sustained by the Bulgarian Army in these conflicts. This led to Bulgaria maintaining a neutral position for the first year of WWI, before allying itself with Germany after the promise of territorial gain. A series of secret agreements were signed in 1915 with Germany, Austria-Hungary and the Ottoman Empire, promising that if Bulgaria would join the Triple Alliance, Bulgaria (after Serbia's defeat) would receive both zones of Macedonia and large piece of Serbian territory on the eastern bank of the River Morava.³⁴ As Bulgaria's fortunes began to wane by 1917 (due the hardships suffered on the domestic front due to the War), the Russian Revolution helped to transform Bulgaria into a democratic republic in 1917,(in conjunction with the collapse of the Bulgarian military and the invasion of French and British troops) but it wasn't until 1920 that the first truly democratic election was held after two years of political infighting between the agrarians and the communists. By 1923 the country had fallen back into the country's usual cycle of political instability, not regaining any political or social stability until 1931, by which time the country was hit hard by the Great Depression. Crampton defines this period as 'fragile parliamentary rule', a struggle between communists, agrarians, conservatives and liberals to both gain control of the country and introduce measures to help alleviate the Great Depression.³⁵

Following the outbreak of WWII, by 1941 Bulgaria had signed the Tripartite Pact committing itself to the Axis, but never at any stage during WWII did it declare war on the Soviet Union, preferring to maintain the long-held ties with the country, even through a global event such as the Second World War. As popular suspicion of Russia was not as intense as elsewhere in Europe, it was an easy transition for the Bulgarian Communist Party to be included in the government formed in 1944, and after two years of political manoeuvring, destroying first the old political system before eliminating their opposition and finally eliminating or taming all other political, social and cultural

³⁴ Crampton, Bulgaria, p 208

³⁵ Crampton, , *Eastern Europe*, pp 124-5

organisations, and overcoming confrontations with both the agrarians and the military³⁶, in 1946 a republic along Soviet lines was declared.



Figure. 5 Bulgaria 1946 -

“ First, unlike all other ex-socialist countries, people in Bulgaria did not tend to perceive socialism as a consequence of Soviet occupation or Soviet presence. Russia played a supportive and important role in the establishment of the Bulgarian state in 1878, so the Bulgarian public never considered the Soviet Union to be a hostile power. Additionally, there was never a Soviet military presence on Bulgarian territory”³⁷

This statement is the best summation of Bulgarian history under Soviet-style rule from 1946-1989. Bulgaria can be characterised as the one state in the Soviet system that had no serious objections to any (or all) demands from the Soviet Union.

³⁶ Crampton, Bulgaria, p 308

³⁷ Audrey Raichev and Antony Todorov “Bulgaria: Democratic Orientations in Support of Civil Society” in Klingemann, H-D, Fuchs D and Zielonka, J (eds) *Democracy and Political Culture in Eastern Europe*, (London: Routledge, 2006) p 336

Bulgaria became a People's Republic in 1946, and was the most stable Soviet ally until the fall of the Soviet Union in 1989. As part of both the Warsaw Pact and Comecon, Bulgaria followed closely Soviet doctrine, governing along the Stalinist line only as long as the Soviet Union, before implementing reforms after the death of Stalin as per the situation in U.S.S.R. The first leader of Bulgaria, Dimitrov, was a staunch supporter of Stalin and his policies, implementing rapid industrialisation and economic reforms in line with Soviet policy. Over-industrialisation was 'exceptionally pronounced'³⁸ in Bulgaria, especially for a country so short on raw materials and totally dependant on the Soviet Union for such. After Dimitrov's death, and the death of Stalin, the leadership of the party first passed to Vulko Chervenkov (leader 1949-1953) who sovietised Bulgaria especially in relation to the economy, before Todor Zhivkov became the leader of the Party (in 1965) and continued to rule Bulgaria for the next thirty-three years. Zhivkov, who had risen through the party ranks as Chervenkov's right-hand man, managed to remove the only real threat to his leadership, Anton Yugov, using a skilful combination of Soviet support in the form of Khrushchev with the expansion of his power base by bringing the political police under his control and aligning himself with various agricultural political parties³⁹. Relations with the West under Zhivkov were almost non-existent with Bulgaria being seen as one of the most oppressive regimes, following to the letter Soviet economic and social policy, with only a small amount of personal freedoms allowed. As per other Central and Eastern states, corruption was a significant factor in governance, as was the implementation of a strict policy of heavy industrialisation, especially difficult in a country that had been so reliant on the agrarian lifestyle. The 1956 'April Line' policy implemented a rejection of the cult of personality so prevalent in early Stalinist systems and rehabilitated a number of earlier purge victims. This in turn led to 'Bulgaria's Great Leap Forward' an ambitious policy of economic reform characterised by more heavy industrialisation, which made Bulgaria more dependant on the Soviet Union, due to its lack of raw materials, and low reserves of fossil fuels.

³⁸ Jon Elster, Claus Offe, and Ulrich Preuss *Industrial Design in Post-Communist Societies : Rebuilding the ship at sea*, (Cambridge: Cambridge University Press, 1998) p 164

³⁹ For a full account of the rise of Zhivkov, please see Crampton, Bulgaria pp 343-351

This policy never came to full fruition, enforcing all the more the dependence on the Soviet state. After the death of Stalin, Bulgaria, like other Soviet states went through a period of de-stalinisation. Foreign relations with Greece were improved and there was some talk in the Communist Party leadership of repairing the breach with the USA and restoring diplomatic relations with Yugoslavia.⁴⁰ Unlike Romania, these ideas were not followed through. Bulgaria benefited greatly from Comecon schemes for specialisation, the same schemes that Romania fought so hard against, (spurring the Romanian leadership to seek diplomatic and economic ties with the West) Bulgaria, being both dependant and subservient on the Soviet system, never really attempted to develop external ties with the West.

By 1981 it was becoming clear to the Bulgarian leadership that the transfer from an extensive to an intensive economic system was almost impossible in the country. This was made more difficult with the total dependence on the Soviet Union for oil, and by the view from the West, guided by the United States, that Bulgaria was a country involved in 'state-sponsored terrorism'.⁴¹ As the economy weakened, fuelled by international debt (as in most Central and East Europe states), there can be no doubt that the situation in Bulgaria was very grave by 1989, a factor which helped to contribute to the fall of the leading role of the party in Bulgarian life. Figure 6 can be seen as a useful indication of just how the economy weakened, especially from the 1980's onwards, before the implementation of a true market economy from 1996, as Bulgaria began to actively pursue EU membership.

⁴⁰ R J Crampton, *A Concise History of Bulgaria*, (Cambridge : Cambridge University Press, 1997) p 195

⁴¹ Crampton, 'Bulgaria' p 206

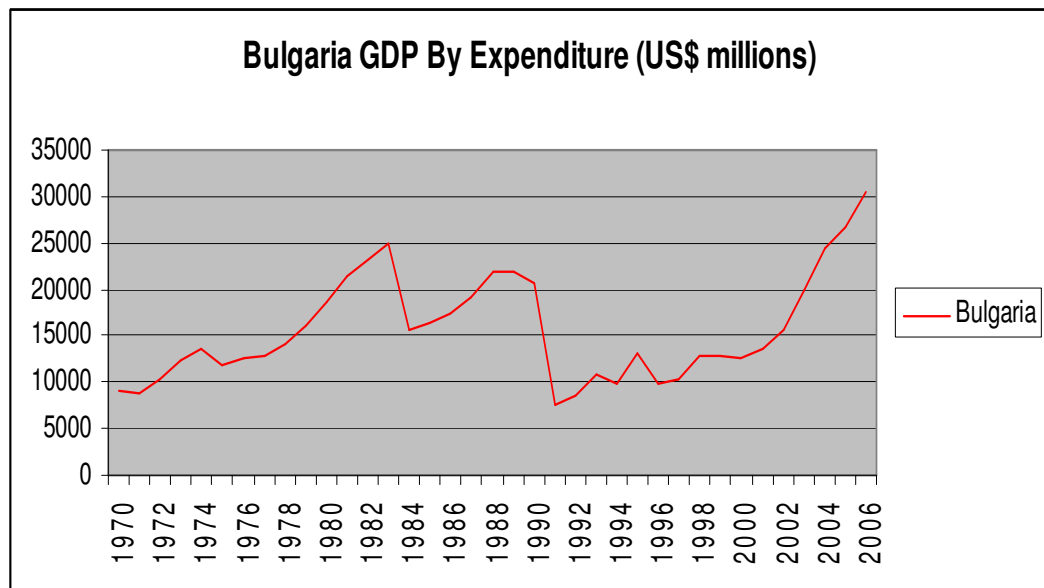


Figure.6: Bulgaria Gross Domestic Product by expenditure (Data source: OECD)

2.2 Historical Conclusions

For Romania and Bulgaria, while it is apparent that their history and development as nation states are in no way similar, the very fact that both of these countries struggled with the full implementation of any form of lasting democracy in the nineteenth and twentieth centuries can help to explain the slow implementation of full multi-party democracy post-1989. Both countries emerged as nation states after years of belonging to larger and more oppressive empires with a genuine desire to try and define their place in the world system,. The importance of the failure of democracy, particularly in the 1930's, characterised by the instability of parliamentary coalitions, and in Romania's case the rise of fascism, both of the monarchical kind, and by the emergence of a right-wing totalitarian system under the Iron Guard, made the implementation of the Soviet style of government that much easier after the end of WWII. There is an argument to be made that by having no remembrance of a stable form of democracy in the country's past, it is understandable that these two countries would find it difficult to implement a democratic system after the fall of communism in 1989. Moreover when both of these countries were directly influenced by external and internal factors (as will be shown in the next chapter) both of these countries coming under the

rule of particularly harsh communist systems, the most important factor (more important than the democratic inexperience referred to earlier) can be seen to be this harshness of leadership style, contributing to a complete failure of the economic system by 1989 and leading to the collapse of the leadership and the end of Communist Party rule.

2.3 The Communist Legacy: Romanian and Bulgarian communism in contrast

By examining the communist histories of both of these countries, and exploring the differences in each country's systems, and economic, foreign and social policies of the governing authorities from 1945-1989 it is possible to see how the difference in these policies led directly to the observable differences in Romanian and Bulgarian transition from 1989. A direct correlation has to be made about these two countries' relationship with Western Europe (and the rest of the world) in this time period and the implications this relationship has to the transition from communism to multi-party democracy. This correlation can be used to explain both Romania and Bulgaria's relationship with the European Community post 1989, as well as the actions of these two countries towards their goal of becoming Member States of the European Union.

Communism as a system is not a catch-all phrase. As can be seen below while both Romania and Bulgaria have been defined as communist-style states, the two countries' leadership systems were dissimilar, as were their dealings with other nation states, and this was not uncommon when looking at the governance of all Eastern Bloc countries.

The Romanian Communist Party (Partidul Comunist Român, PCR) was developed at the time of the October Revolution and the birth of the Soviet state, and had been underground from 1921-1944, but it really became a force for political action after a major land reform in 1921, which was implemented 'as a way of easing social tensions and reducing the shocking disparities

between classes'.⁴² The Party itself was run along strictly Bolshevik lines, and developed what Tismaneau has defined as an 'almost mystical sense of supranationality'.⁴³ This was to have a distinct influence on the birth of the socialist state of Romania after WWII, and goes some way towards explaining the growth and popularity of a dictatorial style of communist leadership under both Gheorghe Gheorghiu-Dej and Nicolae Ceaușescu.

This was communism with a difference however. The animosity felt towards Russia from earlier time periods did not decline after the declaration of Romania as a socialist state. While Romania was placed in the Soviet sphere of influence under a combination of the 'percentage agreements', (defined by the WWII victors) and the external influence of Soviet occupation at the end of WWII and agitation from the Soviets inside Romania it was not a true Soviet neophyte like Bulgaria. Some level of animosity towards the Soviet Union was felt almost from the beginning of the Romanian communist leadership, especially when Soviet heavy handedness was felt through both foreign policy intervention, and economic dominance, particularly in regard to the high amounts of war reparations demanded by Russia. While Romania adopted the Stalinist-style economic policies (the development of fast industrialisation and agricultural collectivisation), the first leader of the republic, Gheorghiu-Dej 'was a Stalinist at home and a Titoist abroad'.⁴⁴ It was due to this leadership style that Romania developed an individual style of communism, in which the country participated fully in the Soviet economic system, but retained a degree of separateness and neutrality in matters of foreign policy, for example the Sino-Soviet dispute and the resumption of diplomatic relations with Albania.

One of the major areas of differentiation in Romanian style communism from that of other Central and Eastern European communist states was in its economic and trade relationships, both with the Soviet Union, and with the rest of the world. Unlike Bulgaria, as will be seen below, Romania resisted,

⁴² Vladimir Tismaneau, *Stalinism For All Seasons: A Political History of Romanian Communism*, (Berkeley :University of California Press, 2003:), p 41

⁴³ *Ibid* p 42

⁴⁴ Crampton, Europe p 311

and invariably won, attempts by the Soviet Union to impose its economic plans on the country (these Comecon plans focusing on the integration of the communist states economies, relegating Romania to the status of supplier of oil and grains to the Soviet bloc). Attempts by Comecon to prevent Romania from industrialising managed to be overturned by Georghiu-Dej, who from 1964 set Romania out on its own individual path. This path included strong trade ties with Comecon, but did not limit the country to just reliance on one trading partner, aggressively pursuing trading relations with Western Europe and other world powers, establishing 'unofficial negotiations' with Brussels in the late 1960's and signing a cooperation agreement with the EEC in 1980.⁴⁵

After Georghiu-Dej's death in 1965 his successor Nicolae Ceaușescu continued along this road of individual economic reform of the system, creating and refining the Romanian communist system even further. Ceaușescu as a leader managed to create a country in the Soviet sphere of influence that was independent of Moscow. He was a skilled diplomat, mostly in the way that he managed to carefully balance Romanian trade relations with both the Soviet Bloc and the West, and in defiance of the Kremlin's foreign policy, overseeing Romania receiving state visits from Western dignitaries, being granted favoured nation with the United States (1975) as well as having the privilege of joining both GATT (1971) and the IMF (1972). By 1973 47.3% of Romania's trade was with Western nations, this incurring a large trade deficit that necessitated heavy borrowing from the West (US\$159.1 million to the IMF and US\$1,502.8 million to the World Bank)⁴⁶ Ceaușescu did however participate in a more traditional style of Stalinist leadership, using the leading role of the party to instigate policies of control relating to both social and political gain, namely the use of secret police to control elements of society opposed to the leader, and the use of population control in order to facilitate his grand vision of Romania as a completely industrialised nation. As with other Eastern European states, by the 1970's the Romanian economy had begun to take a downturn. Instead of instigating economic reform, the

⁴⁵ Peter Van Ham, *The EC, Europe and European Unity: Discord, collaboration and integration since 1947*, (London :Pinter Publishers, 1993) , p 65

⁴⁶ US Library of Congress, R D Bachman (ed) *Romania : A Country Study*, 1989,
<http://countrystudies.us/romania/56.htm>

leader tried to finish his economic goals, borrowing huge sums of money from his allies in the West and instigating what Elster, Offe and Preuss have stated was ‘...a historically unique policy of repaying its foreign debt at schedule at all cost which resulted in an exhaustion of the economy and a dramatic lowering of the populations living standards’⁴⁷. This lack of real reform was to have devastating consequences for Romania, both in the period before and directly after the collapse of the communist system in Eastern Europe, especially as ‘by the 1980’s the inability of the command economy to meet the needs of more advanced economies, compounded by an international environment of high energy prices and interest rates, had resulted in virtual stasis’⁴⁸. This was the situation in Eastern Europe in general, but the Romanian leadership’s refusal to consider economic reform to offset the precarious economic situation was to have serious consequences leading into reform as a post-communist state.

As a difference to the Romanian style of communism narrated above, the Bulgarian system can be characterised as one that complied strictly with the policies implemented by Moscow. This can be seen to be of no surprise, considering the past history and strong ties that the two countries had shared during the previous century. Berglund and Aarebrot define Bulgarian communism as having been implemented very quickly due to a combination of Soviet interference, pressure from below for reform and disinterest from both Great Britain and the United States⁴⁹. This can be seen as an accurate definition, especially taking into account Bulgaria’s strong and close relationship with the Soviet Union. The first leaders Dimitrov and Chervenkov, led Bulgaria as a smaller version of Stalin’s leadership of the Soviet Union, implementing collectivisation and industrialisation directives without question. In the beginning of communist rule, the centrally controlled Soviet command economy seemed well suited to Bulgaria, which was still primarily agricultural. Heavy industrialisation helped to modernise the economy, especially during the after-math of both war and depression. After

⁴⁷ Elster, Offe and Preuss, p 45

⁴⁸ Okey, p 34

⁴⁹ Sten Berglund and Frank Aarebrot. *The Political History of Eastern Europe in the 20th Century: The struggle between dictatorship and democracy* (Cheltenham : Edward Elgar, 1997), p 63

the 1954 destalinisation, and the appointment of Todor Zhivkov as First Secretary, there were some limited reforms made, but in essence Zhivkov must be seen as an ideological hardliner, creating Bulgaria as essentially a satellite state of the Soviet Union. Unlike Romania, Bulgaria did not pursue an agenda independent of Moscow, especially in regards to foreign policy and trade, Bulgaria maintaining a strict anti-EEC stance⁵⁰. Goldman defines Bulgaria under Zhivkov as one of the most oppressive regimes in Eastern Europe, characterised by almost total state control over all aspects of the economy, as well as ruthless repression of any kind of dissent.⁵¹ Bulgaria's closeness with the Soviet Union meant that not only did it not attempt any kind of real economic reform, even when it had become obvious that the Bulgarian economy could not sustain the level of industrialisation required by the Soviet Union, but it also supported the Soviet Unions policies regarding the retention of its control, especially in its dealings with both Czechoslovakia and Hungary, especially in relation to their attempts to implement some mild types of reform. Bulgaria participated in the Soviet-led invasion of Czechoslovakia, in direct contrast to Romania which did not, with it being noted that

‘the impact of Communism on Bulgarian society was much stronger than in the Czechoslovak case. Bulgaria did not catch up with the industrialised world until communist rule and significantly improved its socio-economic position in that period’⁵²

Bulgarian communism went through a minor shift in policy from the mid 1960's, implementing only a moderate package of economic reforms, and in 1971 it adopted both a new constitution and a new party program. Bulgaria was the country that went furthest in organising agriculture along industrial lines in Central and Eastern Europe, amalgamating its farms in the 1970's into one hundred and fifty agro-technical complexes, which had to be dismantled after the fall of communism in the country.⁵³ By the end of the 1970's

⁵⁰ Van Ham, p 60

⁵¹ Minton F Goldman, *Revolution and Change in Central and Eastern Europe: Political, economic and social challenges* (Armonk :M.E. Sharp, 1997), p 83

⁵² Elster, Offee, Preuss, p 47

⁵³ Okey, p 218

Bulgaria was developing into a more controlled police state, whilst subservience to Moscow intensified, to the point where Zhivkov attempted to incorporate Bulgaria into the USSR. This subservience damaged the country's international standing, as unlike Romania, it was seen on the international stage as a firm Soviet satellite state.⁵⁴ Analysis will show that this dependence on the Soviet Union was to be a large barrier to overcome after the collapse of the communist system in Bulgaria in 1989, particularly in regards to the Bulgarian economy which had been very dependant on the Soviet Comecon system.

2.4 Romania, Bulgaria, the EU and the West 1945-1989

As discussed earlier, Romania and Bulgaria existed under different styles of communist leadership. Bulgaria exhibited all the signs of total subservience to the Soviet Union while for Romania, the leading role of the party, while utilising Soviet mechanisms for total state control, also followed its own independent leadership style in its relationship both with the Soviet Union and with the Western world.

The Bulgarian commitment to the principles of the Soviet Union can be easily observed from the implementation of the first planned economy steps in 1947, eliminating private trading and creating in Bulgaria a heavy industrial base. The Bulgarian leadership used the breach in relations between Stalin and Tito to the country's advantage, arguing for stronger ties with the Soviet Union to 'defend Bulgaria from Yugoslavia's reckless and assertive leaders',⁵⁵ helping to assist Bulgaria to receive excellent trading terms with the USSR in relation to natural resources as well as increasing the popularity of the Bulgaria leadership amongst the Bulgarian population. Even with the Soviet bloc being the most important partner in terms of trade, in 1953 Chervenkov announced his wish to secure better relations with both Greece and the USA, and in 1955 he expressed a willingness to improve relations with Yugoslavia. In 1959 diplomatic relations were resumed with the USA and in 1960 an agreement was signed with Canada

⁵⁴ Crampton, *Eastern Europe*, p 353

⁵⁵ Crampton, *Bulgaria* (2007) p 338

to import 100,000 tonnes of wheat per annum for three years (as a direct result of food shortages in the country).⁵⁶

While as can be seen, there were some small contacts with the West in these early stages of communist rule in Bulgaria, reliance on the USSR as a trading partner and provider of resources was paramount. Bulgaria supported the USSR foreign policy position in relation to arms control and the Vietnam conflict, and in return for this the Soviet Union provided a secure market for goods that in the Western economies of the EEC and North America were considered poor quality. Economic links with West Germany had been developing since the 1950's, with diplomatic relations being resumed with West Germany in 1973, as well as Japan in 1970. The development of further ties with the West were to stall in the late 1970's and early 1980's however due to Bulgarian involvement in a number of assassination attempts on Bulgarians in exile, the evasion of sanctions against South Africa and the belief that the Bulgarian export agency was involved with the smuggling of drugs, the profits of which used to purchase arms for subversive movements in central America, Turkey and Africa.⁵⁷ A number of agreements concluded with western companies for the manufacture of their products under license with Bulgaria and an important ten-year trade deal with Germany were undermined due to US insistence that its trading partners observe US export controls that had been placed upon any export to communist states of any items which might assist the development of military programmes in these states.⁵⁸ Even with an informal agreement with the EC regarding arrangements in agricultural products did not help with the development of trade ties with the West as the produce, while generally high quality, was not needed and was therefore discriminated against in the hard currency market of the EEC.⁵⁹ With the countries of the West not being in a position to offer Bulgaria a viable alternative to the CMEA system, it is not surprising that from the 1970's Bulgaria became more reliant on the Soviet Union as its dominant partner.

⁵⁶ *Ibid* p 349

⁵⁷ *Ibid* p 367

⁵⁸ *Ibid* p 373

⁵⁹ *Ibid* p 357

With Romania being seen in the West as being more liberal in matters of the economy (a perception carefully cultivated by Ceausescu), Soviet economic dominance was not as strong as can be seen with Bulgaria. Romania actively pursued ties with the West, seeking not only trade but diplomatic linkages. Romania gained admission to the IMF and World Bank (as well as GATT) in the 1970's as well as solidifying trade linkages with the West by setting up joint trading companies in number of Western European countries, as well as North America, Asia and Africa. In 1980 an agreement between the EEC and Romania established a joint agreement between the Community and Romania on trade in industrialised products, this agreement subsequently being amended in 1983 to extend the list of products originating from Romania that had been liberalised at the Community level.⁶⁰ Romania established diplomatic relations with West Germany in 1967, and after the visit to Romania by US President Nixon in 1969 relations with the US were slowly strengthened, culminating in the granting of favoured nation status in 1975. As testimony to the Romanian leadership independent foreign policy, by 1989 Romania maintained diplomatic relations with 125 countries, the strongest ties being held with France, Britain and Italy (including a number of joint trading ventures). These strong ties were weakened however from the 1980's as Romania became subject to justified condemnation of human rights abuses in the country from Western powers who could no longer maintain warm relations with Romania based solely on its independence of policy from the Soviet Union, and ignore those parts of the country's system that practised active oppression of the Romanian citizenry.

Trading links with the West, while being important to Romania especially in regards to the lending of foreign currency and the importing of specialised goods to help with Ceausescu's policy of industrialisation suffered due to the weakening of these ties in the 1980's, causing rising debt levels in the country and the further impoverishment of Romanian citizens. Even with strong trade links with the West, Romania still managed to find itself in a state of economic crisis in the late 1980's like the other communist states in the region, the

⁶⁰ COUNCIL REGULATION (EEC) No 453/84 of 21 February 1984 amending Regulation (EEC) No 3419/83 with a view to extending the list of products originating in Romania which have been liberalized at Community level <http://www.legaltext.ee/text/en/T60390.htm>

independence of trade and foreign policy of Romania notwithstanding, Romania in 1989 was in a similar situation to all other ex-communist states.

This chapter has gone some way in trying to define the relationship between the European Union and its two newest member states. It is clear from the history recounted above that this cannot be considered a relationship of equals. While there has been a perception that Eastern Europe in 1945 was completely shut out from the Western World until the collapse of the communist regime in 1989, it can be seen that while there was not an open and free connection between the two separated halves of Europe, neither was there complete non-contact between these two countries, as has been so often portrayed. It is also necessary when trying to understand the power dynamic between these two countries, which is a very important factor for the upcoming chapters, to have an understanding of the theoretical ideas behind enlargement. While theoretical knowledge may not directly relate to the analysis contained in the rest of this work, a basic knowledge of the theory will be a necessary part of the background for the subsequent chapters of this research, especially when it can be seen from the information above that a topic as complex as enlargement (when applied to Romania and Bulgaria) does not have one easily applicable theory to explain the process. It is especially necessary to note the theoretical importance of conditionality and leverage to the analysis contained in the next sections. The other important part of this background information is an understanding of the accession process itself, as the next chapter deals more specifically with the economic and political development of these two countries since 1989. Knowledge of the accession process will help to explain how the transition process in Romania and Bulgaria was mirrored by the move towards accession in these two countries.

3. Theories of EU Enlargement

This chapter is focused specifically on the theoretical framework of enlargement. Due to the heavy literature base of this thesis, this chapter will draw heavily on theory to explain the relationship between the EU and Eastern Europe, in an attempt to try and understand the power dynamic of this relationship, and to draw some conclusions that will go in some way towards answering the research questions posed by this work. Focusing specifically on the predominant theories of enlargement, this chapter is an attempt to understand the enlargement of the European Union, in the hope that this will explain the relationship between the European Union and its candidate countries.

3.1 Theories of EU Enlargement and Romania and Bulgaria

From 1989, the main desire expressed by both Romania and Bulgaria has been the 'return to Europe', in the form of joining the European Union. The implications of this desire when looking at the impacts of the post-communist transformation of these two countries cannot be marginalised.

From the beginning of the European Union, one of the major concerns of all Member and potential Member States have been the ideas of integration and enlargement. This can be seen to be especially true when applied to the issues surrounding the Union's relationship with the states of Central and Eastern Europe from the end of WWII until the present day. Contrary to some portrayals, relations between East and West were not totally non-existent from 1945-1989, but consisted mostly of small trade flows, Romania being one of the obvious exceptions due to its relatively friendly relationship with the West, helped by patronage from France and its non-acquiescence to the Soviet Union. One of the provisions of the Treaty of Rome is that any European country can apply to join the Union, a provision that had a built in safeguard due to the division of Soviet and non-Soviet spheres.

Enlargement has always been a part of the unique nature of Europe in the 20th Century, and while there was never any specific plan for Eastern Europe, Fuchs and Klingemann's theory on Europe establishing for itself an identity of democratic community⁶¹ meant that after the collapse of communism Central and Eastern Europe could not be left behind. This did not however mean that Europe was enthusiastic about gaining newer, and more economically challenged members, and Central and Eastern states were somewhat puzzled to find that they were not immediately taken into the European Community and given adequate assistance to rapidly overcome the disastrous economic situations that they were facing.⁶² Discussions about integration and enlargement proceeded a lot slower than the ex-communist countries wanted, there being a lack of understanding on why the process, which the Western member states were verbally positive about, was taking so long in actuality. It wasn't until the conclusion of the Maastricht Treaty in 1992 that Central and Eastern Europe were given an indication of the direction that Western Europe were taking in regards to these new states, especially in regard to supporting freedom, democracy, human rights and rule of law, as well as a more formalised direction for accession negotiations, which were codified in the 'Copenhagen Criteria' in 1993, membership criteria that needed to be met before a country could consider becoming part of the Union. These criteria were split into three defined areas, (stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership including adherence to the aims of political, economic & monetary union)⁶³ and helped to guide potential member states towards enlargement by entailing what the country was expected to achieve before being granted Union membership. The Copenhagen Criteria were strengthened at the Essen Council Meeting of 1994 which formalised increased market access, specialised technical

⁶¹ V.D. Bojkov, 'Neither Here Nor There: Bulgaria and Romania in current European politics, *Communist and Postcommunist Studies*, 37, (2004) 509-522, p 511

⁶² Mayhew, p 6

⁶³ http://ec.europa.eu/enlargement/enlargement_process/accesion_process/criteria/index_en.htm

assistance in preparing for participation in the internal market and laid down guidelines to stimulate investment from the Union.⁶⁴

This transition will be analysed in more detail in part four. This section is more focused on,, firstly, theories of enlargement, before moving on to examine how these enlargement theories can be applied to the relationship between Romania, Bulgaria and the European Union, in some part to explain how the dynamic between these groups affected the transition in these countries.

The ‘return to Europe’ theory is the first theory to be addressed in this section, which can be explained as the post-communist states desire to rejoin what they considered their place in Europe after fifty years of being separated under communist rule and involved a rejection of the country’s communist past and an attempt to recapture a sense of ‘pan-European connections’⁶⁵ Van Ham states that ‘the absence of Eastern European members in the Council of Europe once more indicated that these countries, due to their communist domination, had disavowed the European ‘common heritage’⁶⁶, giving to Europe and Eastern Europe an idea of common heritage that may go some way to explaining the idea of the ‘return to Europe’. This theory is a very simplistic idea, and can be characterised as a ‘pull theory’ in which countries are pulled towards the ideal of being part of the developed area of Europe, with all the benefits that go with joining this union. This is part of the constructivism argument of enlargement in which

‘applicants and members ‘construct’ each other and their relationships on the ideas that define the community that the EU represents.... In other words, demand for integration follows from the degree to which

⁶⁴ George Vassilou, *The Accession Story: The EU From 15 to 25 countries*, (Oxford :Oxford University Press, 2007) p 30

⁶⁵ Pridham, p 85

⁶⁶ Van Ham, p 26

the actors inside and outside the EU share a collective identity and fundamental beliefs'⁶⁷

When examining motives of Central and Eastern states in relation to their position in Europe, return to Europe seems to be the predominately strong theory to help explain enlargement, O'Brennan seeing it as 'rooted in issues of identity, norms and values that drove the Eastern enlargement forward and proved decisive in determining its content and form'⁶⁸. While the revolutions (both peaceful and violent) of 1989-90 proved to come from a variety of influencing factors, both from above and below, it can be seen that one of the driving reasons for this spectacular change was the chance for self-determination free from external influence, even if however, almost straight away most central and eastern European states expressed a wish to 'draw near to, or eventually become, a member of the European Union'⁶⁹, another powerful external influence in the transition of these countries. The history of these countries shows that the enforced soviet-style system only reinforced the desire for these countries to be recognised as Europe, and was probably one of the most important motivating factors for the collapse of the communist system and the subsequent fast-track reforms in most of these countries to multi-party democracy and economic transformation, with Smith discussing the role of the 'prospect of enlargement' as a foreign policy goal of the EU to support the economic and political transformation in Eastern Europe, ensuring security and stability⁷⁰ as a good example of this external influence.

However, while the theory of return to Europe needs to be considered in relation to Romanian and Bulgarian transition, it should not be linked to as the only explanation for these two countries to actively seek membership of the EU..

⁶⁷ Frank Schimmelfennig and Ulrich Sedelmeier, "The Study of EU Enlargement: Theoretical Approaches and Empirical Findings: in M Cini and A.K. Bourne (eds) *Palgrave Advances in European Union Studies*, (New York :Palgrave, 2006) , p 105

⁶⁸ Ibid, p 5

⁶⁹ Crampton, *Eastern Europe*, p 419s

⁷⁰ K Smith, p IX

The concept of conditionality (another concept that is part of the constructivism framework) is very important when looking at theories of enlargement, and Pridham believes that 'the EU has come to be the most associated with democratic conditionality, since the eventual prize is no less than eventual membership for compliant new democracies' The belief here is that because of its authority over the key aspects of enlargement, the European Commission could exert a 'relentless pressure' on candidate countries with conditionality all the more as failure to meet its stated conditions could affect their progress in accession. Romania and Bulgaria are both good examples of this. Developing a relationship with the European Union and with individual Member States was seen as the best way to break free of the artificial divide of Europe into East and West, 'moving beyond communist legacies and regaining a full role in the European political and economic space'

From the beginning the EU can be seen to have been slow to respond to the idea of Eastern enlargement, as many Member States were reluctant to commit themselves to the accession of post-communist enlargement. By using conditionality and arguing that Central and Eastern Europe had to be ready to join, the EU Member States put emphasis on the applicants conforming to the EU, rather than the EU reforming to fit the new Members as a way to reassure Member States of EU control over enlargement. Fears of the consequences of enlargement also helped to encourage a conditionality approach based on reducing its social and economic impact by demanding full compliance by the applicants in advance of accession. One of the negatives of this level of conditionality is that the close relationship between European policy aimed exclusively at accession and meeting democratic conditionality requirements is that it tended to dissuade policy makers in Central and Eastern Europe from considering independently the systemic effects for democratic consolidation in their countries. It has also been necessary that in setting conditions for membership the EU has had to find a balance between giving support for reforming governments while not devaluing the status of EU membership by admitting countries that fail to meet its standards.

Conditionality belongs to the same theoretical framework as return to Europe, as by calling attention to identity changes by making candidate countries conform to ideals of European-ness through the tools of accession, this is a good example of constructivism. This work subscribes to the constructivist school of international relations theory when examining the relationship between Romania, Bulgaria and the European Union. A constructivist combination of the ideas of return to Europe and European Union conditionality is the best theoretical explanation of the relationship between Romania, Bulgaria and the European Union in post-communist Europe, in which transition in these two countries has been socially constructed through the tools of accession, capable of being transformed thorough human practice, which can be seen in the EU variation to the tools of accession for the newer candidate countries from the Balkans.

Another enlargement theory is Vachudova's examination of active and passive leverage in relation to the European Union's attitude towards its enlargement into Central and Eastern Europe. Active and passive leverage is a variation of the constructivist conditionality approach discussed earlier. Vachudova's central argument is that the EU took centre stage in relation to Central and Eastern Europe's foreign policy goals, using both active and passive leverage as a way to force potential member states to conform to EU ideals. Vachudova singles out

‘the EU's passive leverage merely reinforced liberal strategies of reform in Poland, Hungary, and the Czech Republic, while failing to avert, end or significantly diminish rent-seeking strategies for winning and exercising power in Romania, Bulgaria and Slovakia’⁷¹

Vachudova takes a historical instrumentalist approach to the idea of active and passive leverage, in which, in the case of Romania and Bulgaria, she examines how the EU used its influence on domestic political reforms in Eastern Europe, in which she characterises both of these countries as being subject to both forms of leverage during their transition period. This is separated into

⁷¹ Milada Anna. Vachudova, *Europe Undivided: Democracy, leverage and integration after communism* (Oxford : Oxford University Press, 2005) , p 4

periods of active and passive leverage from the Union, helping to force along the transition at the Union's pace. Vachudova defines passive leverage as 'the traction that the EU has on the domestic politics of credible candidate states merely by virtue of its existence and its usual conduct'⁷² while direct leverage is characterised as 'the deliberate policies of the EU towards the candidate state'⁷³. Vachudova singles out Romania and Bulgaria (as well as Slovakia) being characterised by the Commission as illiberal countries, in which the Commission applied direct active leverage (such as delaying accession dates or granting/cutting assistance) to change the political situation in these countries, by helping to put into place more reform-friendly and accession-minded governments into power in these countries.

Mayhew believes that 'the whole of Europe wins from wider integration'⁷⁴. The main argument of this work is that for Central and Eastern Europe, a chance to join the Union has meant for these candidate countries the opportunity to be part of a democratic union of nations for the first time, instead of being seen as 'floating dangerously between East and West'⁷⁵ while for the European Union there are gains politically from both the security point of view and in the economy, with the argument to be made that enlargement was necessary for the future survival of the Union.⁷⁶ Much of Mayhew's emphasis is on the security of the region, seeing the EU as being a necessary strong anchor for the implementation of the market economy and multi-party democracy to help the associate countries out of their weak security and economic situations.⁷⁷ This is a mixture of realism, which emphasises the security guarantees that EU membership provides against possible attempts by Russia to reassert its influence, and liberal intergovernmentalism, which stresses economic gains through market access and investment flows.⁷⁸ Much of Mayhew's work focuses on the attraction of the European Community to

⁷² *Ibid* p 4

⁷³ *ibid*

⁷⁴ A Mayhew, *Recreating Europe: The European Union's Policy towards Central and Eastern Europe*, (Cambridge :Cambridge University Press, 1998) , p xiii

⁷⁵ *Ibid*

⁷⁶ *Ibid*, 185

⁷⁷ *Ibid*, p 194

⁷⁸ Michelle Cini and Angela Bourne *Palgrave Advance in European Union Studies* (New York : Palgrave MacMillan, 2006), p 111

‘the people of Central and Eastern Europe, impoverished by years of central planning and deprived of democratic rights’.⁷⁹

Zielonka (2006) takes Mayhew’s emphasis on the security of the region as the central point of his research, presenting a strong argument that enlargement of the European Union is creating a neo-medieval empire in which enlargement is entered into increasingly on strategic grounds, as an effective foreign policy tool to ‘shape its unstable external environment.’⁸⁰ Zielonka charts what he sees as ‘wonders’ in the transition of Romania, Bulgaria, Croatia and Turkey using the policy of conditional admission to the Union as an effective tool both of conditionality and international leverage.⁸¹ Both Mayhew and Zielonka, focusing on EU security concerns in the region, must be taken into account when examining the enlargement of the Union post-1989, but are not to be seen as the only valid explanation for the fifth wave of enlargement in 2007, security not being the primary concern of the EU in relation to the accession of Romania and Bulgaria.

3.2 EU Enlargement Theories and the Accession of Romania and Bulgaria

The previous section has explored a number of different theories in relation to the idea of enlargement theory, and it is now prudent to examine the applicability of these theories to try and understand the relationship between Romania, Bulgaria and the European Union.

The first part of the previous sub-section dealt with theoretical concepts from the constructivist approach to enlargement, examining notions of ‘return to Europe’ and European conditionality and leverage. While constructivism seems to be the dominant theoretical framework when examining enlargement theory, the idea of ‘return to Europe’ does not go far enough to be seen as the

⁷⁹ Mayhew, p 10

⁸⁰ Jan Zielonka, *Europe as Empire: the nature of the enlarged European Union*, (New York :Oxford University Press, 2006) p 173

⁸¹ *ibid*

only theoretical explanation of the relationship between Romania, Bulgaria and the EU.

The European Union undoubtedly can be seen as the predominant actor in this region, and there would be no more compelling reason why Romania and Bulgaria would want to ally themselves with their more powerful neighbour. Past history plays an important role in the idea of returning to Europe. As these two countries see themselves as part of Europe, denied the right to this heritage at the end of WWII, the concept of becoming part of Europe again is a strong driving force for enlargement. Jereb defines Romania as

‘A geographical representation on the European map, Romania today is a creation of the Second World War, its borders redrawn both during and after the war. As a political space, it is a new creation emerging from the collapse of communism in Central and Eastern Europe’⁸²

While this is not strictly true, there being a definite sense of nationhood both pre- WWI and in the interwar years when applied to Romania, past history of this country can lead to explanation why the idea of Europe can be seen as a driving force in relation to this country’s quest for EU membership, and while O’Brennan rightly surmises that previously to WWII there existed many ‘Europes’ and ‘at no one time could one identify a genuine collective governed by common rules and legal norms’⁸³, Romania’s past history summarised in the first part of this work can help to give some understanding for the desire by the Romanian people to rejoin a system they felt that they had been held apart from by the Iron Curtain.

The significance of return to Europe as a theory then cannot be discounted, especially in regards to Central Europe, which traditionally had strong ties to Western Europe, sharing a common religion with its Western counterparts, these ties perhaps being stronger for Central than Southern Europe who not

⁸² Jereb, p126

⁸³ John O’Brennan, *The Eastern Enlargement of the European Union* (New York :Routledge, 2006), p 2

only shared religion but were also part of larger empires with their Western counterparts in earlier times, parts of Romania belonging to both the Ottoman and Austria-Hungary Empires while Bulgaria for a long period was under Ottoman rule (along with other territories such as Serbia, Greece and Hungary). Bulgaria, with its close ties to Russia as her status of liberator in the nineteenth century, can not be seen to be having a tradition of wanting a return to a Europe that traditionally there were only some small ties with, but the country expressed the same wish of membership as with other Central and Eastern countries of this time. This signals that there are other theories that could hold just as much importance when examining the power dynamic of the relationship between Romania, Bulgaria and the European Union, particularly in relation to transition.

When examining the school of constructivist thought in relation to enlargement, the theory of conditionality can be seen as one of the most applicable theories in regards to an explanation of the relationship between Romania, Bulgaria and the European Union. As explained earlier conditionality is where countries are forced to conform to ideas of European-ness through the tools of accession. One good example of this was the exclusion of Romania and Bulgaria from the first round of post-communist accession. This sent a clear signal that the tools of accession, complying with the *aquis*, and adhering to the aims of political, economic and monetary union, (as adopted by the Copenhagen Council of 1993⁸⁴) were considered as the key stones of accession, and that under-performance or non compliance with these tools would have direct and lasting consequences for potential Member States. The theory of conditionality also ties into the idea of 'return to Europe' as Member States used accession as a measure of their own claims to be an accepted part of Europe. The goal of joining was not just based on a calculated motivation of receiving specific benefits, significantly trade and aid, but as a way of becoming 'modern and civilised'⁸⁵ Conditionality then was used by

⁸⁴ For more information on the Copenhagen Criteria please see http://ec.europa.eu/enlargement/enlargement_process/accesion_process/criteria/index_en.htm

⁸⁵ Grabbe, p 53

post-communist governments to use EU driven reforms as a way to overcome resistance from interest groups.

Transition in Romania and Bulgaria was mostly determined by conditionality. While transition in these two countries was practically non-existent to begin with, the idea of the return to Europe was so powerful that European Union membership was a goal from the very collapse of the communist system (at least on paper for ex-communist states), Bulgaria's transition stagnated from 1989-1996 due to the lack of implementation of any true reform, leading to a state of political and economic crisis by 1996. Conditionality from the European Union, mostly through its accession criteria, meant that there was a clear roadmap of reform that could be followed, and the early elections in Romania and Bulgaria in 1996 - 1997 focused on which party could guarantee European Union membership the fastest by following this guide. By agreeing to conditionality clearly delineated from the EU Romania and Bulgaria would gain the political benefits of membership, including being part of an organisation which 'has the political and economic weight to enter international negotiations as one of three powerful trade blocs'⁸⁶ The European Union did use conditionality however to pressure both of these candidate countries to make specific changes to remedy the most pressing problems that had kept them outside of the first wave on enlargement, including Bulgaria needing to set a date for the closure of the Kozloduy nuclear power plant, whilst Romania had to reform its state childcare program and improve its macroeconomic situation.⁸⁷ This form of pressure (referred to as leverage) can be seen as another off-shoot of the constructivism argument, in which conditionality is used as leverage against candidate countries such as Romania and Bulgaria, and can be seen as applicable when examining the relationship between these parties.

When examining the importance of leverage as part of the theoretical framework of enlargement, it is possible to highlight this importance with a number of examples.

⁸⁶ Mayhew, p 194

⁸⁷ Grabbe, p 19

The consequences for Romania and Bulgaria in the failure on the Union's part to apply more direct active leverage in the early stages of transition meant that what Vachudova terms as illiberal parties were able to control the reform and transition of these two countries on their own terms resulting in a very low rate of actual reform until the mid 1990's. By maintaining power in the hands of ex-communist leaders, both in Romania and Bulgaria, these leaders were able to pay lip-service to the ideas of reform and transition, while maintaining their own agendas, not losing their popularity by subjecting the countries to the much more radical approach to transition, which as discussed earlier does impact in the short term on living standards, but has significant benefits for the population in the long term. Those ex-communist states that did take a more radical approach to transition, such as Poland and Hungary, had both a much more successful relationship with the European Union, and achieved a much higher level of reform much earlier than their counterparts which did not take this approach. Once leverage and conditionality were applied to these governments, one of the direct consequences of leverage that can be quantified is the removal of these governments in 1996-7, with their replacements being pro-reform and pro-EU accession. In the early years of transition, Romania was 'able to conclude major agreements with the European Union, the Council of Europe and NATO despite few improvements to its democratic standards and its protection of minority rights'⁸⁸, a good example of the position of Vachudova that it was only through active leverage (using the tools of conditionality established by the Commission) that real and lasting reform can be achieved.

Once active leverage was applied to both Romania and Bulgaria, by making threats of exclusion such as denying them the pre-accession process, and in later times the decision to keep these two countries out of the first wave of enlargement, one can start to see just how influential the Union can be on recalcitrant countries. When a more active form of leverage was applied by the Union to both Romania and Bulgaria, and coupling this with the economic crises in 1996-7, the combination of these factors led directly to a change of leadership in both countries and the implementation of true and lasting reform in

⁸⁸ Ibid, p 152

these two countries, with the leadership not only actively promoting the idea of joining the EU, but actually implementing change designed directly to ensure membership. Active and passive leverage (as with conditionality) loses momentum when a country reaches full member status and this concept will be examined more closely in a later part of this work, but when measuring EU impact on countries in transition the importance of active and passive leverage cannot be denied. Without European Union influence using these two forms of leverage it is a possibility that both Romania and Bulgaria would not have achieved such substantial political and institutional change in a relatively short time period as they did from 1997 to the accession in 2007. Regarding how passive and active leverage have affected the relationship between the EU, Romania and Bulgaria it can be seen that this was strategy was probably one of the most important factors when assessing how this relationship developed. It can be seen that active leverage can be classified as one of the more applicable theoretical approaches for the situation of Romania and Bulgaria, especially after 1996-7 as it was after this time period that a relationship (between the EU and Romania and Bulgaria) that had fundamentally the same goals was developed, and it was through this strengthened relationship with clear conditionality guidelines that Romania and Bulgaria began to implement a much more structured and successful transition regime.

The realist and liberal intergovernmentalist schools of enlargement theory must not be discounted when examining the relationship between Romania, Bulgaria and the European Union. Mayhew's idea that wider integration benefits the whole of Europe, especially in the security and economic sense is a good example of this theoretical framework and there can be seen to be an element of this when examining the relationship between Romania, Bulgaria and the EU. As discussed previously, the stated goals (at least on paper) of post-communist governments in both of these countries was the goal of European Union membership, and the liberalisation of market entry was among the first reform steps of all Central and Eastern European countries, with the market already having been partially liberalised in Bulgaria during the economic reforms of the 1980's. As prices were further liberalised in Bulgaria at the beginning of 1991

this resulted in severe price shocks, leading to a public outcry and the reimposition of price controls.⁸⁹ This can be seen to have been used as an excuse for the government to implement no real reforms, preferring to maintain power by keeping the population content.

While aid is important to countries in transition, the key to successful transition rely on 'macroeconomic and microeconomic policies applied by governments and the development of trade and other economic relations with the West'⁹⁰ Romania and Bulgaria's failure to effectively implement these policies led directly to the crisis situation of 1996-1997, and it is only with the certainty provided by accession that there will be a positive influence both in domestic and foreign investment. This can be seen when examining the situation in Romania and Bulgaria once these countries had started actively pursuing EU membership, in which Mayhew's theory realist of integration benefitting Europe in an economic sense only really start to come to pass in Romania and Bulgaria when they had acceded to European Union conditionality, especially in economic reform.

In conclusion, much has been written on the theories of enlargement, and it is clear from the information gathered above that there is no one clear way to categorise enlargement in relation to either Eastern Europe in general, or Romania and Bulgaria in specific. It is perhaps more accurate to understand that enlargement is not a straight linear process when related to Central and Eastern Europe after the fall of the Soviet regime, but rather a process that developed more as finding a solution for the ex-communist countries desire to rejoin Europe, and enlargement for those countries concerned developed in a different way according to how they transitioned. The theory of return to Europe is important in that it characterises the primary goal of all Central and Eastern ex-communist states directly after the fall of the communist system in 1989. Smith, Zielonka and Mayhew all agree that enlargement must be seen as a foreign policy goal, ensuring security and stability is also important when examining the situation of Romania and Bulgaria. However it is the ideas of conditionality and

⁸⁹ Offe, pp 162-166

⁹⁰ Mayhew, p 17

leverage that provide the most cohesive framework in the understanding of transition of Romania and Bulgaria, and these theories will be the most important when examining the nature of transition in this work.

Romania and Bulgaria both having emerged from the communist system, albeit in different ways, managed to follow the same path in their first steps to democracy. While insisting that the top priority for these countries was to join the European Union, the steps taken by these two states belied this intention. Instead of following other Central and Eastern states in the area by implementing true reform, which consists of a radical approach to political and economic transition, which while causing temporary hardship to the population, results in a quicker and more transparent transition, Romania and Bulgaria's transformation was, in the first half of the 1990's, more cosmetic than actual as will be seen in the following section of this work.

4. Romania and Bulgaria: Post Communist Transition and Accession to the EU

After examining the theoretical background to enlargement, and the relationship between the EU, Bulgaria and Romania in the communist period, it is now pertinent to examine the transition and accession processes of Romania and Bulgaria, to understand the necessary steps that these two countries took to become a part of the European Union in 2007. The first part of this section gives a general overview of the accession of Romania and Bulgaria to the EU, before a more detailed analysis, split into two distinct periods (fake transition 1989-1997 and real transition 1997-2007), which is contained in the latter part of this section, before moving into chapter five, which details the situation in Romania and Bulgaria post-accession and discusses implications for future enlargement of the European Union.

4.1 Accession to the EU

Romania and Bulgaria emerged from the Soviet system in different ways, but from the beginning of the transition from communism both of these countries were treated in a similar way in relation to the accession process. As Central and Eastern Europe started to move away from its communist leadership, the Romanian leadership was the only leadership that seemed prepared to resist change. Once Romanians in the west of the country had access to Hungarian and Yugoslavian television, reporting on the downfall of Soviet-style regimes and the collapse of the Berlin Wall, Romania became the only country in the communist system to respond with a full scale insurrection, resulting in a violent overthrow of the regime and the execution of their leaders in December 1989.⁹¹ In contrast to this, Bulgarian opposition forces removed Todor Zhivkov, the leader of the country, peacefully in 1989, and in February 1990 the communist party voluntarily recused itself from power, paving the way for free elections.

⁹¹ Duncan Light, 'Modern Romania: An Historical Overview' in *The EU & Romania: Accession and Beyond*, D Phinnemore (ed) (London : Federal Trust for Education and Research, 2006), p 15

Romania and Bulgaria are both examples of the power of the leading role of the party which had led Central and Eastern Europe since WWII. While both countries had removed the dictatorships that had ruled for decades, the infrastructure of the party was still very much in evidence, and this can be shown to be directly related to the first free elections to be held in these two countries. Due to time constraints and the fact that the ex-communist regimes were highly organised, controlling all infrastructure and media outlets, it is really no surprise that in the first round of free elections in both Romania and Bulgaria, newly established political parties consisting of ex-communist leaders retained power under their newly established 'democratic' party name. While it is true that both of these countries reconstructed communist parties ran for election under a platform of 'return to Europe' as being the goal of the newly established parties, it is clearly seen that old communist ideas died hard in these countries, both leading parties implementing only very basic reform, preferring instead to retain the same level of power previously held under the communist system. One of the most utilised ways to maintain power and popularity was not to implement a regime of either shock therapy or gradualist reform as in other countries in Central and Eastern Europe, but rather to take the path of effectively non-existent reform, which was to have disastrous consequences for these countries in 1996-7. Both countries used this strategy to good effect in the early part of the 1990's, openly declaring their desire to rejoin Europe, but not implementing the steps necessary to make this a reality.

One of the major provisions of the Treaty of Rome (1957) is that any European country may apply to join the European Union, and this was a key foreign policy aim of both Romania and Bulgaria after the fall of the communist regimes in these two countries. The first phase of the EU's eastern accession policy from 1989-1993 was based around trade and aid, culminating in the development of the PHARE (Poland and Hungary: Assistance for Restructuring Economies) programme in 1989, as an aid programme intended to support post-communist

transition in Central and Eastern Europe.⁹² PHARE funds focus entirely on the pre-accession priorities highlighted in the Road Maps and the Accession Partnerships which establish the overall priorities the country must address to prepare for accession and the resources available to help them do so⁹³. Financial and technical assistance was seen as a necessary first step for Central and Eastern Europe, especially in regards to the modernisation of these countries. In July 1990 the PHARE programme was extended to include Bulgaria but not Romania who was judged not ready due to student repression by the newly formed democratic government. This was altered in 1991, when Romania was welcomed into PHARE and ratified its Trade and Cooperation Agreement with the EC. From 1991 potential Member States were offered bilateral Europe Agreements, which made specific policy demands in Central and Eastern Europe through chapters on trade, competition policy, free movement of workers and on establishment and supply of services.⁹⁴

In both Romania and Bulgaria, the first post-communist governments attempted to suppress political competition and to subvert the newly developing democratic institutions. Ethnic nationalism was used to build legitimacy and only episodic market reforms were launched.⁹⁵

In the case of both Romania and Bulgaria, which has already been mentioned previously, fears of economic reform allowed reconstructed communists to stay in power, using this fear of economic reform and the defence of the nation (from its 'enemies') to maintain their political power. Political power was consolidated in the hands of both the FSN (Romania) and BSP (Bulgaria) governments. In this first period of transition, political opposition to these two governments was almost non-existent, due to the ruling parties complete domination of the political landscape, using their positions as previous leaders of the country to undermine potential competition parties, utilising policies of partial economic reform to protect their ruling interests. The BSP used a skilful

⁹² Heather Grabbe, *The EU's Transformative Power: Europeanization through conditionality in Central and Eastern Europe*, (Houndsmills : Palgrave Macmillian, 2006), p 7

⁹³ For details on the PHARE programme, including its objectives please see http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/phare/index_en.htm

⁹⁴ *Ibid*, p 10

⁹⁵ Vachudova, p 20

combination of Bulgarian economic reforms from 1989 (especially in regards to privatisation, banking reform and foreign direct investment) that were almost non existent, and between 1989-1996 the country's political life was dominated by economic problems under a succession of governments led by the BSP.⁹⁶ For an excellent comparison of the differences between a country led by reconstructed communists and a country led by a pro-reform government, charting the comparison in foreign direct investment for two countries in transition, Bulgaria and Poland, please see the figure below.

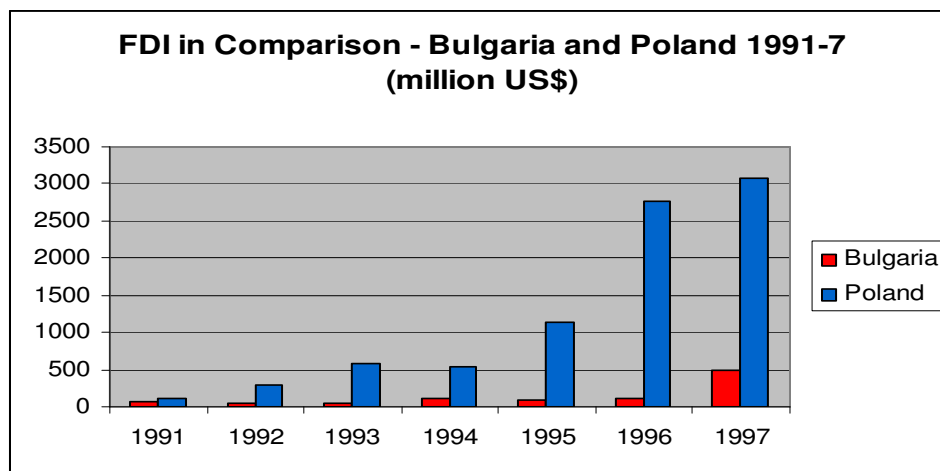


Figure 7 FDI in Comparison – Bulgaria and Poland 1991-7 (Data source: Lavigne⁹⁷)

Alan Smith defines Romania as having ‘arguably inherited the worst starting conditions for implementing the transition to a market economy outside the former Soviet Union’⁹⁸ As mentioned earlier, the Ceausescu government’s economic policies had left Romania on the verge of economic collapse in 1989. From 1990 – 1994 the Romanian economy can be characterised as ‘something like a hybrid: neither fully marketised nor centrally planned’⁹⁹, and this is a reflection of the Iliescu governments economic policy aimed to ensure his party’s popularity by not following other Central European countries who implemented major economic restructuring, leading to the situation in which Romania again reached the verge of economic collapse in 1996. To illustrate

⁹⁶ Grabbe, p 109

⁹⁷ Lavigne p 255

⁹⁸ Alan Smith “The Romanian Economy Since 1989” in *The EU and Romania: Accession and Beyond*, D Phinnemore (ed) (London : Federal Trust for Education and Research, 2006.), p 29

⁹⁹ *Ibid*, p 29

the importance of this point, the graph below shows a comparison of Romania's percentage average rate of change in GDP, with that of Poland who implemented from 1989 a more radical approach to economic reform, with more successful results in a quicker timeframe.

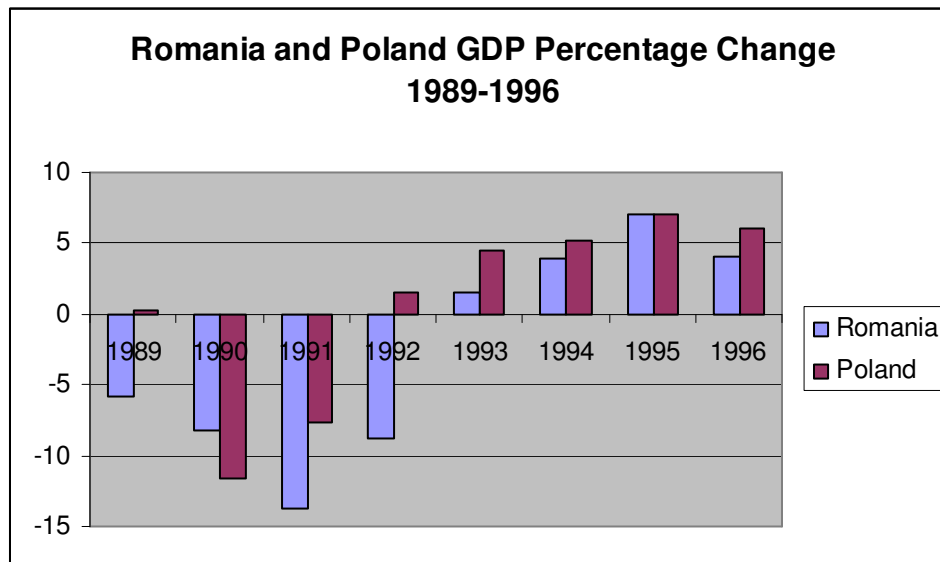


Figure. 8 Romania and Poland GDP Percentage Change 1989-1996. (Data source: Lavigne¹⁰⁰)

One of the most important elements in the EU response to enlargement was the signing of the Europe Agreements with each individual candidate country. This was an established legal framework for economic, commercial and human contacts between the EU and the ex-communist states.¹⁰¹ By April 1992, the Commission proposed that the Europe Agreements contain a clause making them conditional on respect for human rights, democratic principles, the principles of market economy and also respect for the rights of minorities, a clear indication that Romania and Bulgaria did not fully meet this newly established criteria for a Europe Agreement.¹⁰² Europe Agreements were finalised with Romania¹⁰³ and Bulgaria¹⁰⁴ with Ingham hypothesising that the finalising of these agreements had little to do with the internal developments of

¹⁰⁰ Lavigne, pp 248-288

¹⁰¹ John Van Ouderenaren, *Uniting Europe: An Introduction to the European Union*, 2nd Edition, (Lanham : Rowman and Littlefield, 2005), p 340

¹⁰² Vachudova, p 101

¹⁰³ Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and Romania, of the other part OJ, L357, 31.12.1994

¹⁰⁴ Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Bulgaria, of the other part, OJ L 358, 31.12.1994

these countries, but an emerging consensus in the West that ties should be strengthened due to the developing crisis in Yugoslavia.¹⁰⁵ The signing of Europe Agreements does not imply that Romania and Bulgaria were in fact proceeding apace with transition, with Ingham showing that the Romanian government seemed more concerned with both domestic affairs and foreign policy that was more concerned with both perceived threats from Hungary and the reestablishment of positive relations between Romania and the Soviet Union.¹⁰⁶

The first step towards accession came for Romania in 1993, with the signing of the Europe Agreement with the EU. This agreement signalled a formal agreement between Romania and the EU to liberalise trade and to promote economic and financial cooperation between the two countries.¹⁰⁷

Europe Agreements and the development of PHARE were only the first in a number of conditionality measures that the European Union implemented in order to shape and control enlargement of the Union. The 1993 Copenhagen European Council acknowledged with the adoption of the “Copenhagen Criteria” that enlargement was a matter of when and not if. The Council established membership criteria that needed to be met before a country could consider becoming part of the Union. These criteria were split into three defined areas, (stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership including adherence to the aims of political, economic & monetary union)¹⁰⁸ and helped to guide potential

¹⁰⁵ Hilary Ingham and Mike Ingham, *EU Expansion to the West: Prospects and Problems* (Cheltenham : Edward Elgar, 2002), p 225

¹⁰⁶ Ingham, p 224

¹⁰⁷ Leonard Orban, Romania’s Accession Negotiations with the EU: A Chief Negotiators Perspective in D Phinnemore (ed) *The EU and Romania: Accession and Beyond* (London: Federal Trust for Education and Research, 2005) p 79

¹⁰⁸ http://ec.europa.eu/enlargement/enlargement_process/accesion_process/criteria/index_en.htm

member states towards enlargement by entailing what the country was expected to achieve before being granted Union membership.

Romania's bilateral Europe Agreement took effect in 1995, and replaced older trade agreements from the late 1970's and early 1980's, while for Bulgaria, the signing and implementation of her Europe Agreement (at the same time) was the first step of independence towards Europe and away from her Russian-focused past. Following the Luxembourg Council's decision in 1997 (which increased pre-accession aid and developed a new tool for enlargement : the Accession Partnership)¹⁰⁹, the European Union agreed on a strategy for enlargement and it was from this point that formal accession negotiations were opened with Central and Eastern countries including Romania and Bulgaria, this being codified in 1999 with the Commission recommending that formal accession negotiations be opened with Romania, Bulgaria, Latvia, Lithuania, Slovakia and Malta. This came after the so-called first wave of accession negotiations were opened with the 'Luxembourg Six' (Czech Republic, Estonia, Hungary, Poland, Slovenia and Cyprus) in 1998. These second wave candidates had, with the exception of Slovakia, met the political criteria to start the accession process but were considered some way off meeting the economic criteria of membership. In February 2000 negotiations were launched with the 'Helsinki Six' (Bulgaria, Latvia, Lithuania, Malta, Romania and Slovakia).

For Central and Eastern European countries these negotiations are a difficult process. The candidate country must first go through a rigorous screening process before negotiations are opened with the country on each chapter of the *acquis communautaire*, a conditionality tool consisting of legislative chapters which hold in them the total body of EU law. Each candidate country must adopt, implement and enforce all the *acquis* and set up the necessary bodies (administrative and judicial) to oversee the legislation before being able to join the EU. Fig 9. shows the chapters of the *acquis* that had to be completed by both the Luxembourg and Helsinki Sixes before being able to conclude accession negotiations with the European Union.

¹⁰⁹ http://ec.europa.eu/enlargement/enlargement_process/accesion_process/criteria/index_en.htm

1. Free movement of goods	2. Free movement of persons
3. Freedom to provide services	4. Free movement of capital
5. Company law	6. Competition policy
7. Agriculture	8. Fisheries
9. Transport policy	10. Taxation
11. Economic and Monetary Union	12. Statistics
13. Social policy and employment	14. Energy
15. Industrial policy	16. Small and medium-sized enterprises
17. Science and research	18. Education and training
19. Telecommunication and information technologies	20. Culture and audio-visual policy
21. Regional policy and coordination of structural instruments	22. Environment
23. Consumers and health protection	24. Cooperation in the field of Justice and Home Affairs
25. Customs union	26. External relations
27. Common Foreign and Security Policy	28. Financial control
29. Financial and budgetary provisions	30. Institutions
31. Others	

Figure 9 *Acquis Communautaire* Chapters, (source: European Commission¹¹⁰)

Once these chapters have been closed then a draft accession treaty is submitted to the Council for approval and the European Parliament for assent. After the treaty has passed this stage then it is sent to the Member States and candidate states for ratification. Figure 8 below illustrates the accession process for candidate countries to become members of the European Union.

¹¹⁰ European Commission, Enlargement process, http://ec.europa.eu/enlargement/archives/enlargement_process/future_prospects/negotiations/eu10_bulgaria_romania/chapters/index_en.htm

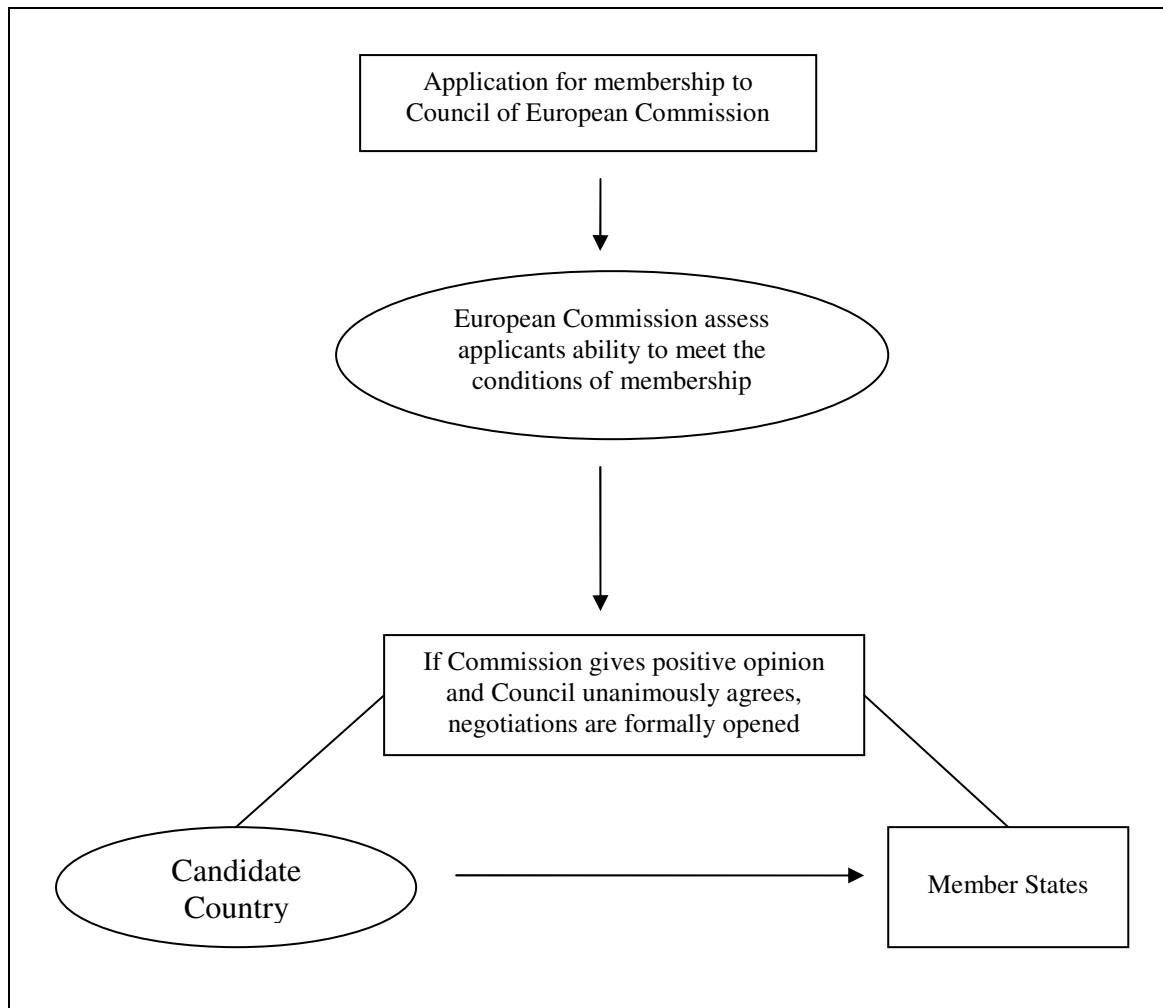


Figure 10: Accession Process for Candidate Countries to the EU

For the accession of Romania and Bulgaria, Orban has characterised the process as ‘the biggest challenge after the Second World War’¹¹¹ One of the first disappointments that these two countries suffered was to be split from the more progressive and reform-minded countries in Central and Eastern Europe into the second wave accession group. This was a direct consequence of the slow pace of reform in these two countries resulting in a lack of economic readiness for accession. For Romania especially this was bitterly contested, the Foreign Minister arguing

‘ to separate the applicant countries into two groups for the opening of negotiations is counterproductive, creating artificial and discriminatory

¹¹¹ Ibid, p 80

frontiers, contrary to the principle of continuity of the process of enlargement of the EU; this method would penalise Romania, and could influence public opinion negatively and slow down the pace of economic reform',¹¹²

whereas Bulgaria's reaction was much less vitriolic, acknowledging only that much time had been wasted due to lack of reforms.¹¹³ While the Commission was correct in its judgement on this account, neither Romania or Bulgaria at this stage being close to be the ideal of a candidate country, the Romanian Foreign Ministers argument that the separation of applicant countries would influence and slow the pace of economic reform will be seen in later sections to be incorrect, as the judgement of the Opinion actually actively worked to stimulate reform in these two countries, as they strived to catch up to their counterparts and join the EU.

From 2000-2002 Romania and Bulgaria struggled to fulfil the open and close the chapters needed to be considered as having fulfilled the necessary accession criteria. Frequent monitoring reports detailed the progress (or lack of) for these two countries, culminating in 2002 in the Roadmaps for Bulgaria and Romania [COM(2002)624] which were aimed at helping both countries meet these criteria, and setting an accession goal of 2007. This is a good example of EU active leverage. By giving these countries a confirmed accession goal date, with a veto clause that this may be delayed by a year if satisfactory progress was not implemented, a policy of active leverage against these two countries was applied, proving a forceful motivator for Romania and Bulgaria to move up their reform efforts to meet the expected accession targets. The Roadmaps for Bulgaria and Romania concentrated on administrative and judicial capacities and economic reform as well as the chapters of the *acquis*, showing that the Commission would support these reforms through the PHARE programme. The only differences in the roadmaps for these countries were that the Roadmap for Bulgaria placed more emphasis on the economic reform of the privatisation

¹¹² Graham Avery and Fraser Cameron. *The Enlargement of the European Union* (Sheffield :Sheffield Academic Press, 1998). p 123

¹¹³ Ibid, p 124

programme and the development of small to medium businesses, whilst for Romania the emphasis was placed on the rate of inflation, tax reform and budgetary reform.¹¹⁴

Once the Roadmaps for Romania and Bulgaria had been issued, the progress of opening and closing accession chapters began in earnest. The 2004 monitoring reports on Romania, Bulgaria and Croatia [COM(2004) 657 final] introduced for the first time a favourable report on the progress the two countries had made, especially in regards to the satisfying the Copenhagen political criteria and fulfilling the necessary conditions for establishing a viable market economy, an incredible change in circumstances from the economic crises of 1996-7. By 2004 Bulgaria had provisionally closed all chapters and Romania only had three to finish, so in light of this work began on drawing up Accession Treaty's for both of these countries in July 2004, and a pre accession strategy was put in place. Over the following three years Romania and Bulgaria successfully implemented all requirements covered in the Accession Treaty, resulting in the gaining of membership into the European Union on the 1st January 2007, and this implementation of requirements will be fully addressed and analysed in the next two sections of this work, a more complete analysis of economic and political transition in Romania and Bulgaria.

4.2 Fake Transition 1989-1997

*'The new governments of Eastern Europe were committed to the market economy and all of them expressed a wish to draw near to, or eventually become, a member of the European Union'*¹¹⁵

The statement above probably is the most accurate description of the situation in Eastern Europe in 1989. However, for true transition to occur, a commitment to establishing the market economy, the implementing of multi-part democracy and institutional reform is not enough. There must be a conscious decision to

¹¹⁴ <http://europa.eu.int/scadplus/leg/en/lvb/e50011.htm>

¹¹⁵ Crampton, p 419

actively pursue this commitment, even though in the short-term it may make conditions in the country concerned unpleasant for a short time. This approach to reform, in either form, either as 'shock therapy' or the more gradualist approach, is the most successful path to transition, and those Central and Eastern European countries that implemented this were rewarded with membership status to the EU in 2004, as a result of their rapid and mostly successful transition.

This section does not focus on these success stories however, but is more concerned with two countries that did not implement the either shock therapy or the slower, gradualist approach to transition, Romania and Bulgaria. This section focuses on the timeline of transition in Romania and Bulgaria, from 1989 onwards, outlining key economic and political events, governmental and institutional change and judicial reform, to show how effective overall transition was in these two countries. Special care will be taken to analyse the attitude of both of these countries to transition in general, with the chronological approach showing how transparent the reform process has been. By showing the governments' attitude to reform, an accurate gauge can be drawn on the desire for real reform in these countries, and by analysing the governments' attitude to reform it should make the governments' attitudes to EU accession clear, showing how important this is to the transition of these two countries. The next part of this chapter is focused from the events of 1996-7 in Romania and Bulgaria as these can be seen as the years when the reform process changed significantly and marks the turning point in the transition of these two countries, enabling them to become Member States in 2007, while the last part of the chapter focuses on the real transformation period for Romania and Bulgaria 1997-2007.

Even though Romania and Bulgaria emerged from communist rule in different ways, their situation in 1989 was remarkably similar. Democratic elections were organised for the first time, with countries returning to power ex-communist leaders who had rebranded themselves as fully democratic after the collapse of the regime.

The fall of the communist system in Romania in 1989 was characterised by the violent overthrow of the Ceausescu leadership, and the execution of the leader. Top communist lieutenant Ion Iliescu quickly formed The Council of the National Salvation Front, (FSN) who moved quickly to incorporate the revolution into his new nominally democratic party programme, executing the Ceausescu's and declaring his party as the new power in the country. Multi-party elections were hastily organised in light of the situation in Central and Eastern Europe, however mitigating factors in the country such as a lack of skilled intellectual opposition to the FSN (due in some regard to the ruthless suppression of this group by the Ceausescu regime) and the fact that Iliescu made the conscious decision to keep most of the state-controlled apparatus of the Ceausescu regime intact meant that the first election results (1990), in which Iliescu returned 85% of the vote for the FSN can be seen as a fait accompli when there could be no conceivable way that any other political opponent to the FSN could launch an effective opposition campaign.¹¹⁶ By maintaining control of the state-run television and a number of news outlets, and effectively filling influential positions with former communist nomenklatura, Iliescu and the FSN made it virtually impossible for an effective opposition movement to mobilise.¹¹⁷

While the FSN government had as part of their election platform the desire to rejoin Europe (a common theme amongst all post-communist governments in 1989-1990), the actual priority of the FSN and the appointed nomenklatura was to maintain their influence in their country and in some cases to exploit the country (pocketing money from the state budgets and corrupting the privatisation process for personal gain) meaning that any real attempts to reform the country sufficiently at this stage to be in a position to rejoin Europe were at best an election slogan, and not an actual reality. With the European Union scrambling to keep ahead of events in Central and Eastern Europe and to design and implement a cohesive enlargement policy for these new post-communist states, Romanian Prime Minister Petre Roman embarked on a programme of partial economic reform, including the first privatisation law, which came into

¹¹⁶ Vachudova, p 41

¹¹⁷ *Ibid* p 45

effect in September 1991, using a mass voucher programme in order to privatise large state owned enterprises, as well as the enactment of Romanian Company Law 31/1990 which placed emphasis on the organisation of companies in Romania including clauses regarding formation of business organisations, dissolution and mergers of companies, liquidation and administration¹¹⁸, while Law 33/1991 was passed outlining banking activity in the country. The Constitution of Romania¹¹⁹ was adopted on 21 November 1991, outlining general principles, fundamental rights, freedoms and duties, public authorities, economy and public finances and the judicial system. In response to the rapid change in the situation in Central and Eastern Europe, the EU removed long-standing import quotas, granted trade preferences and concluded trade and cooperation agreements with these countries, Romania signing her agreement in 1991. Financial support was offered to the newly democratic states through the PHARE programme (established 1989) to assist in the reform and rebuilding of these countries economy. Romania felt the first waves of disapproval from the European Union concerning its reform process when the country's access to PHARE funds was delayed until the signing of the Trade and Co-operation Agreement in 1991 in response to Romania acceding to the EU's conditionality, namely the halting of suppression of a number of pro-democracy protests by the government (utilising armed miners in Bucharest). PHARE aid to Romania was delayed until January 30 1991 after EU member states debated the merits of suspending negotiation on the Trade and Cooperation agreement altogether due to this suppression, with Member States recognising that that to suspend these negotiations could result in jeopardising the democratic process in Romania rather than encouraging it.¹²⁰

Even with the extending of PHARE aid and the signing of the Trade and Cooperation agreement, it can be clearly seen that the democratic situation in Romania had not improved, but rather the Agreements were signed more as a signal that Romania should continue with reform process with EU support, and not create a situation where the Romanian government would have an incentive

¹¹⁸ Company Law No. 31/November 17, 1990, <http://www.aneir-cpce.ro/chapter5/laws/l31.htm>

¹¹⁹ The Constitution of Romania <http://www.cdep.ro/pls/dic/site.page?id=371>

¹²⁰ Vachudova, p 101

to stop reforms completely. While other former communist states were negotiating Europe Agreements with the EU (a formal association agreement, one of the first stages in consideration for member state status) the negotiations with Romania were once again delayed due to another round of pro-democracy suppression in September 1991.

The 1992 elections returned an election victory for the newly formed Democratic National Salvation Front (DNS) an offshoot of the FSN who were still led by ex-communist nomenklatura including Iliescu, and who successfully campaigned on a platform of nationalism, defending Romania from the allegedly successionist Hungarian Alliance Party.¹²¹ When negotiations for the Europe Agreement were restarted again in 1992, and concluded in 1993 a new clause was added making the agreement conditional on respect for human rights, democratic principles, the principles of the market economy and also respects for the rights of minorities¹²². This is a clear example of EU conditionality, acknowledging to Romania that the Europe Agreement was contingent on clear and transparent continued reforms on the specific criteria delineated in the Agreement.

By 1993 the DNS Party had merged with a number of smaller parties, renaming itself as the Party of Social Democracy in Romania (PSDR) with Iliescu still as the leader. The PSDR maintained its nationalist stance, especially when there could be seen to be a growing credible opposition by reform minded opponents. While this can be seen to be a clear violation of the Europe Agreement (in respect to democratic principles), for Iliescu playing the nationalist card was one way to justify a less than fully implemented democratic process, showing himself to be the protector of Romania interests for the Romanian people. By 1993 Romania had become a member of the European Free Trade Area (EFTA) as well as gaining membership to the Council of Europe (after the imposition of significant delays due to the lack of freedom of

¹²¹ Phinnemore, p 20

¹²² Europe Agreement establishing an association between the European Economic Communities and their Member States, of the one part, and Romania, of the other part, [http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=294A1231\(20\)](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=294A1231(20))

press, the state of minority rights, the security services and rule of law in Romania¹²³), membership of these bodies being two key steps towards acceptance by Western Europe. The acceptance of Romania to the Council of Europe went some way to legitimising Iliescu's rule in Romania, The Council of Europe decision signalling to Europe that the Iliescu government was one that could be accepted by the EU.¹²⁴

The European Council in Copenhagen (1993) had agreed on a firm strategy concerning enlargement to the East, defining the economic and political criteria that had to be fulfilled for accession to the Union. In using the Copenhagen Criteria to examine the situation in Romania it can be stated that Romania in 1993-4 was lagging behind other Central European states in preparedness to become a member of the EU. The conditions set out by the EU in 1993 were designed to minimise the risk of new entrants becoming politically unstable and economically burdensome on the existing EU¹²⁵, but Romania with its revolving door of minority coalition governments and stagnating economic reform, designed to maintain governmental power by limiting necessary but short-term economic hardship in the country (which in the long-term benefits the economic situation as can be seen in other Central and Eastern states), was clearly not a viable candidate under the Copenhagen criteria in 1993-4.

In the spring of 1994 the first formal applications for EU membership by Central and Eastern European states were made. Vachudova acknowledges that with the establishment of the Copenhagen criteria the first steps towards active leverage can be observed throughout Eastern Europe, as until 1994 the EU had minimal effect on domestic political change, but with the Copenhagen criteria signalling the development of a more concrete membership strategy, this can be seen as a significant change in governance and compliance for ex-communist states.¹²⁶ The Essen Summit 1994 was instrumental in establishing the broad

¹²³ Vachudova, p 153

¹²⁴ *Ibid*

¹²⁵ Grabbe, p.10

¹²⁶ O'Brennan, p 90

terms of pre-accession strategy for potential candidate countries¹²⁷ Essen formalised increased market access, specialised technical assistance in preparing for participation in the internal market and laid down guidelines to stimulate investment from the Union.¹²⁸ A ‘pre-accession blueprint’ was to be drawn up for the Visegrad states and Romania and Bulgaria by Spring 1995, signalling to these countries that the EU was serious about establishing a clear dialogue regarding accession to the Union.¹²⁹ The Romanian government continued with on-paper reforms in 1994 establishing a securities and exchange commission, however small and large scale privatisation remained elusive, three years after the first privatisation laws were enacted.

In February 1995 the Romanian Europe Agreement came into force and, with a number of other ex-communist states, Romania in June of 1995 officially applied to become a member of the European Union. As part of this application Romania drew up a national strategy in preparation for accession to the Union, however it soon became very clear that even with this national strategy, the number of limited and fairly ineffectual reforms that the Romanian leadership had initiated since 1989 meant the country was falling behind as a viable candidate for membership when compared to both other ex-communist states, and the EU evaluation of Romania under the various criteria established at Copenhagen and Essen. Even in July 1995 when most prices were finally liberalised and the second round of voucher privatisation was launched, it can be seen that with the country moving towards another electoral round in 1996 the lack of any real reform, especially in matters of foreign direct investment (compare Romania with 417 and Poland with 3,617 in 1995)¹³⁰ helped to result in an increase both in imports and inflation (38.8% in 1996 when compared to 19.9% in Poland and 5.8% in the Slovak Republic in 1996)¹³¹

¹²⁷ Martin Smith and Graham Timmins, *Building a Bigger Europe : EU and NATO Enlargement in Comparative Perspective* (Aldershot: Ashgate, 2000), p 42

¹²⁸ Vassilou, p 30

¹²⁹ Vachudova, p 98

¹³⁰ European Bank for Reconstruction and Development, *Transition Report 2008*, (London: European Bank for Reconstruction and Development, 2008)

¹³¹ *Ibid*

Unlike Romania in 1989, the change of political system in Bulgaria was not the result of a violent overthrow of the leadership, rather a peaceful changing of the guard, as in other ex-communist Central and Eastern European states. The long time leader of Bulgaria, Zhivkov, was displaced by a palace coup orchestrated by several of his top lieutenants (led by Peter Mladenov) who quickly rebranded themselves as the Bulgarian Socialist Party (BSP) and under pressure from the opposition party (Union of the Democratic Forces, UDF) organised elections for June 1990. By utilising a platform of promising to protect Bulgaria from the consequences of market reform (proposed by the UDF with a plan for ‘shock therapy’ reform of the nation’s economy) the BSP presented themselves to the population as the defenders of the Bulgarian nation. This stance, and electoral intimidation in the Bulgarian countryside, led to the BSP retaining power in the first elections.¹³²

The BSP government was notably ambivalent about the EU, a change from the idea of ‘return to Europe’ so popular in other Central and Eastern states. In the first year of ex-communist rule, no real reforms can be seen in Bulgaria, and electoral instability in 1991 led to the UDF government narrowly winning the parliamentary elections.¹³³ The new government instigated some reforms, most consumer prices and interest rates were liberalised, import controls were removed and the first competition law and commercial codes were enacted.¹³⁴ The UDF tried to limit Bulgaria’s dependence on Moscow and to become a more attractive partner for Western states and institutions¹³⁵, but the reform process was once again stalled after the collapse of the UDF government in 1992, and the development of a new coalition led by Lyuben Berov and supported by the MRF (Movement for Rights and Freedoms, a minority Turkish party). Berov relied on the support of the BSP for many of its policies, and was close to the BSP on ideological grounds, especially in relation to Bulgaria’s historic and religious ties to Russia.¹³⁶ Bulgarian reform in 1992 was nominal at best, the governing authority following the same stagnation of reform as the

¹³² Vachudova, p 42

¹³³ *Ibid* p 154

¹³⁴ See “Law on the Protection of Competition” (published in State Gazette No. 39 of 17 May 1991), “Commerce Law” Promulgated State Gazette No. 48/18.06.1991

¹³⁵ Vachudova, p 155

¹³⁶ *Ibid*

BSP government, adopting new laws on banking and privatisation¹³⁷ which were laws on paper only, with no real progress being seen after the adoption for the implementation of these laws. Bulgaria was admitted to the Council of Europe after acceding to EU conditionality removing a clause in their Constitution forbidding the creation of ethnic and religious political parties.¹³⁸ 1993 saw the first small-scale privatisation law adopted while large-scale privatisation began but “economic corruption disfigured economic reform ... distorting new institutions, undermining the belief of citizens in the market economy and robbing the coffers of the state”¹³⁹

Another electoral stalemate in 1994 led to yet another election in Bulgaria. The BSP party promised the population gradual market reforms to lead the country towards both a prosperous economy and EU membership¹⁴⁰, a strategy that returned the BSP to power, and as part of the fulfilment of this strategy made an application for EU membership after Copenhagen, along with other Central and Eastern European states. This new BSP leadership quickly reverted to its previous rent-seeking policies, economic reforms were woefully slow and FDI negligible, leading to the situation in 1994 where the government reversed some economic reforms and BSP politicians were directly involved in the theft of assets from state enterprises and the appropriations of loans from state banks.¹⁴¹

A key factor in any transitioning country is the quality of state institutions and how quickly they were transformed as part of the reform process. Grabbe suggests that Bulgaria’s institutional reform took longer than other potential member states because of the inertia of the ruling BSP government.¹⁴² In addition to this, the fact that the BSP government made no effort until 1996 to deal with the serious financial problems facing large state-owned industrial firms, especially with delays in privatisation after the abolition of central

¹³⁷ Law on Banks and Credit Activity (1992), Law on Privatization and Restructuring of the State - owned and Municipall - owned Enterprises (1992)

¹³⁸ Vachudova, p 155

¹³⁹ Vachudova, p 104

¹⁴⁰ *Ibid* p 155

¹⁴¹ *Ibid* p 50

¹⁴² Grabbe, p 107

planning and inconsistent economic policies in this first phase of transition led to an erosion of financial discipline in the economy.¹⁴³ Reporting from the World Bank, OECD as well as the European Union itself regularly pointed to the lack of reform in Bulgaria stemming from inadequate institutional capacity.¹⁴⁴ Some nominal reforms were promulgated in 1994, including the adoption of the first bankruptcy law and the introduction of VAT, however these were not enough to hold off the currency crisis of 1994 (in which the Bulgarian *lev* became devalued almost 100% driving up inflation rates to 120% by year-end¹⁴⁵).

When applying the decisions made at Copenhagen and Essen in 1994, this lack of reform due to the stagnant political situation can be seen to be a clear indication not only that Bulgaria could in no way be ready to be considered a candidate for accession, but that the country's leaders were not actively implementing policy that would change this situation. Membership under the Copenhagen Criteria meant that a candidate country has to show the stability of institutions guaranteeing democracy, the rule of law, human rights, the protection of minorities and the existence of a functioning market economy that could cope with competitive pressures and market forces within the Union. In 1994 Bulgaria did not meet any of these criteria, and the governing authorities seemed in no way inclined to reform to meet them. The leverage shown towards candidate countries after the establishment of the Copenhagen criteria was more focused on the political rather than economic criteria, especially in regards to ethnic and border-related problems (which were not an significant issue in Bulgaria at this time).¹⁴⁶ The economic problems of Bulgaria were not as important to the EU as political issues in other Central and Eastern states, allowing the BSP government to continue with its corruption of the economic system for its own gain.

¹⁴³ Rumen Dobrinsky, "The Transition Crisis in Bulgaria", *Cambridge Journal of Economics*, 2000, 24, pp 581-602, p 587-88

¹⁴⁴ Grabbe, p 106

¹⁴⁵ Zdravko Balyozov, The Bulgarian Financial Crisis of 1996 - 1997 (Bulgarian National Bank: 1999) [http://www.bnbank.org/bnb/home.nsf/vPages/Discussion_199907/\\$FILE/E07-pape.pdf](http://www.bnbank.org/bnb/home.nsf/vPages/Discussion_199907/$FILE/E07-pape.pdf) p 8

¹⁴⁶ Vachudova, p 155

In 1995 the EU – Bulgaria Association Agreement¹⁴⁷ came into effect. The Bulgarian government adopted railway and securities laws and established a securities commission. Price controls were reinstalled to counteract the currency crisis of 1994, however the governments rent-seeking tendencies were still not curbed, one example being that friends of the BSP premier Videnov exported so much wheat for their own profit that they caused a severe grain shortage for several weeks.¹⁴⁸ Videnov presided over an unprecedented redistribution of national wealth, culminating in the processing of banked savings being redirected towards independent financial groups, bankrupting several bank and contributing to the collapse of the Bulgarian banking system in 1996.¹⁴⁹

4.3 1996-7 The Years of Crisis

When using the Copenhagen Criteria as the guideline for membership and the economic situation in the lead-up to the 1996 elections in Romania, there is little to show that in the seven years of various coalition governments led by Iliescu, there was any serious attempt made to actively pursue a policy of reform that would lead to European Union membership for Romania. It is here that Vacudova's central thesis regarding the EU's active leverage on illiberal governments can be realised, as governmental opposition, reacting to the lack of true reform and the continuous inflationary pressure began to organise their election platform around working together in a coalition with the central 'focal point of cooperation' being in agreement that the most sensible path for Romania was to actively work to meet EU requirements and ensure eventual EU membership.¹⁵⁰ Iliescu's usual methods of using nationalism and ethnic intolerance were not successful during this election, with the success of the umbrella organisation the Democratic Convention of Romania (CDR) led by Emil Constantiecu, forming a coalition government

¹⁴⁷ "Europe Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Bulgaria, of the other part", the Official Journal of the European Communities. 31.12.1994, No L 358

¹⁴⁸ Vachudova, p 51

¹⁴⁹ Vachudova, pp 50-51

¹⁵⁰ Vachudova, p 166

with the Hungarian Democratic Union of Romania (UDMR) and the Social Democratic Union (USD) all of whom had campaigned strongly on the idea that the previous Iliescu-led government had failed to follow through on its promises, especially in regards to EU membership. With Contstantiecu's nomination of Victor Ciorbea as Prime Minister, the president had given a clear indication that reform in Romania was to be the new coalition's top priority. A number of reforms were launched into, including further price liberalisation, the unification of the exchange rate, and the commencement of large-scale privatisation. As with other CEE states, reforms of this kind were necessary to stimulate the transition of the country to a fully functioning market economy, and as with these states some short-term economic downturn was unavoidable due to these measures. However, in line with Romania's previous seven-year history of reform, the coalition government again made it difficult to push through real reform, once again reverting to the previous governments programme of promising reform and enacting legislation, which in reality can be seen as nothing more than words on paper.¹⁵¹

Using as an indicator inflation – GDP inflator, it is possible to illustrate how inflationary pressure was effectively ignored by the successive Romanians governments from 1989-1997 as part of their stagnant economic policies, in contrast to Poland and Hungary, who as can be seen in the figure below, managed as part of their effective economic reform to maintain steady inflation as part of the economic reform process.

¹⁵¹ Peter Poole *Europe Unites: The EU's eastern enlargement*, (Westport : Prager,2003) p 99

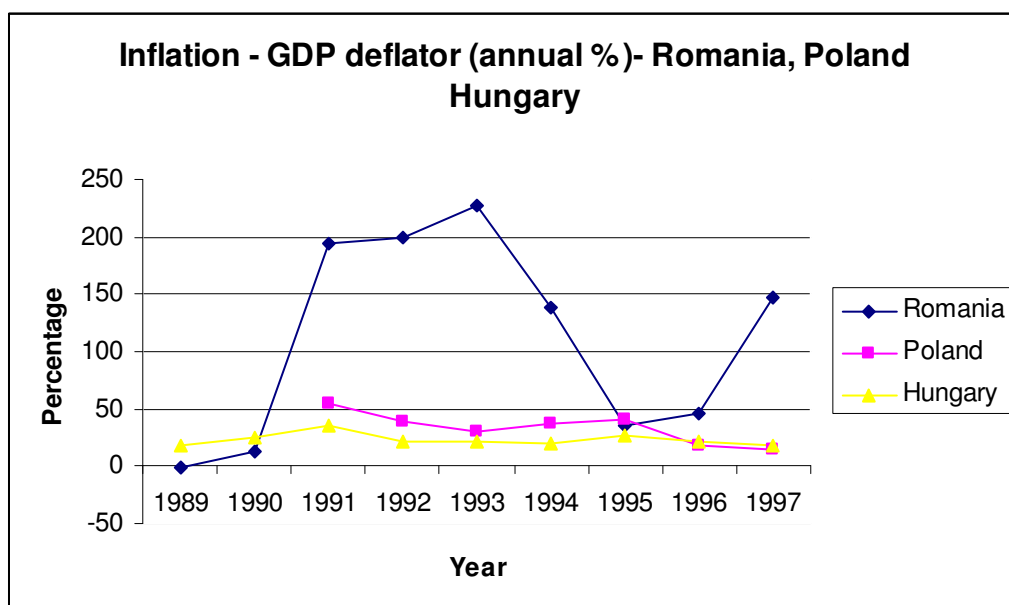


Figure 11. Inflation–GDP Deflator (annual %) Romania, Poland and Hungary (data source:World Bank)

The 1997-2000 programme of the government noted that it would ‘speed up the process of harmonising Romanian legislation with that of the Community’ with special attention to be paid to free competition and enforcement.¹⁵² The impact of the European Union on Romania can be directly measured during this time-period. The initial report from the Commission, issued by the Luxembourg Council in July 1997 regarding the potential consideration of Romania as a potential candidate for accession, in spite of the newly implemented programme towards accession launched by the newly government concluded that

- “- the current improvement in Romania, following the arrival in power of a new government, indicates that Romania is on its way to satisfy the political criteria;
- Romania has made considerable progress in the creation of a market economy, but it would still face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term;
- despite the progress that has been made, Romania has neither transposed nor taken on the essential elements of the *acquis*, particularly as regards the internal market. It is therefore uncertain

¹⁵² Ingham, p 230

whether Romania will be in a position to assume the obligations of membership in the medium term. In addition, considerable efforts will be needed in the areas of environment, transport, employment and social affairs, justice and home affairs as well as agriculture. More generally, substantial administrative reform will be indispensable if Romania is to have the structures to apply and enforce the *acquis* effectively.

In the light of these considerations, the Commission considers that negotiations for accession to the European Union should be opened with Romania as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen.”¹⁵³

For Romania, this lack of progress regarding the country’s EU candidacy (as outlined by the Commission Opinion) was to have a direct result on the country itself. Even with the new governments declaration that joining the EU was the first priority, the decision contained in this Opinion that the country could not be considered a candidate for EU Member State status was to mean two more years in which the government stated their commitment to reform in order to satisfy the Commissions clear directives contained in the above Opinion, yet in reality the reforms were not explicitly carried out. Officials in Romania could barely contain their disappointment that their country should not be invited to negotiate membership status at this time.¹⁵⁴ The official reaction to the Opinion was to contest its conclusions as referred to earlier with the quote from Romania’s Foreign Minister regarding the deferment of negotiations.¹⁵⁵

With the new government in place in 1997 it seemed as though real reforms would be coming to Romania, however the attempted implementation of ‘shock therapy’ in January coupled with the resultant price rises prompted trade union demonstrations in February which were to last throughout the year, prompting

¹⁵³ European Commission. Commission Opinion on Romania's application for membership of the European Union, COM/97/2003 final. Brussels: 15.07.1997.

http://ec.europa.eu/enlargement/archives/pdf/dwn/opinions/romania/ro-op_en.pdf.

¹⁵⁴ Ingham, p 232

¹⁵⁵ Please see p 61 of this work.

many concessions from the government, as well as increasing concern from the IMF who, while following these events closely became anxious about the slow rate of reform in July, especially privatisation.¹⁵⁶ The government was further encouraged to keep up its reform programme in December 1997 with the second Luxembourg Council decision to include Romania in the EU accession process to be launched in March 1998.

For Bulgaria the banking collapse in 1996 was just one in a series of major events to overtake the country at this time. Lack of any real economic reform culminated in 1996 in not only the banking crisis, but also the collapse of the Bulgarian currency (which was devalued by over 200% by year end, forcing inflation to an excess of 310%¹⁵⁷), revelations of connections between the mafia and government leaders and a lack of bread shortages which led to huge public demonstrations. As with the situation in Romania in 1996-7 discussed above, the situation in Bulgaria using as an indicator inflation – GDP inflator can be used to illustrate the inflationary pressure in Bulgaria 1989-1997, in contrast to Poland and Hungary.

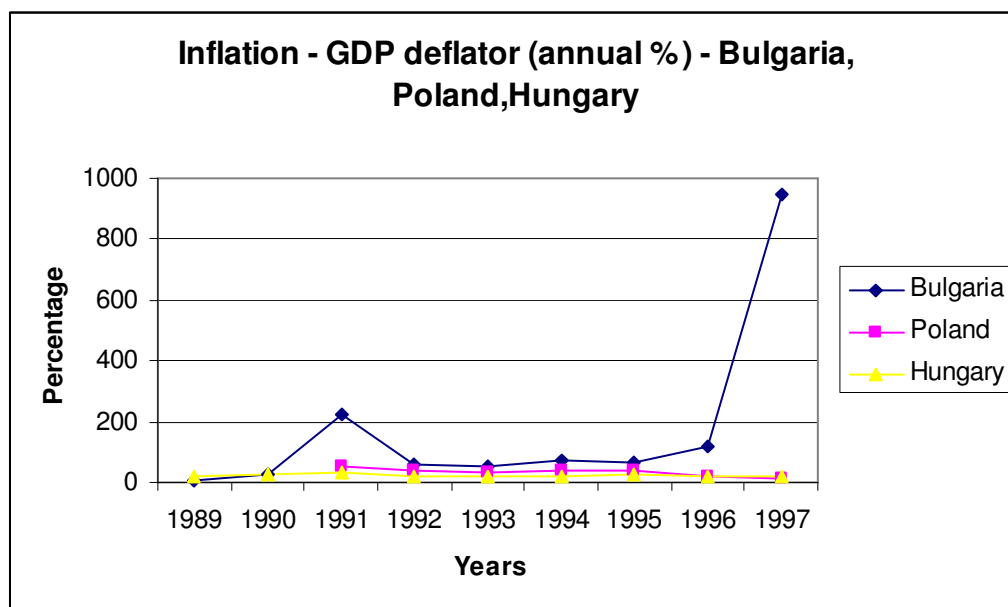


Figure 12. Inflation–GDP Deflator (annual %) Bulgaria, Poland and Hungary (data source: World Bank)

¹⁵⁶ Geoffrey Swain and Nigel Swain *Eastern Europe Since 1945*, (Houndsmills: Palgrave Macmillan, 2003) p 248

¹⁵⁷ Bristow, p 10

While the government struggled to continue, restructuring the banking sector and starting the first round of voucher privatisation, this groundswell of public opinion caused the BSP to leave office at the end of 1996 and new elections were scheduled. For opposition parties this economic crisis was the lynchpin for what Vachudova has termed the ‘principal focal point of cooperation.’¹⁵⁸ The debate about Europe focused on which party could make progress towards the EU fastest¹⁵⁹, while the BSP government was seen as leading the country away from EU membership. The UDF made joining the EU the centre of its campaign platform, promising to reform and fix the economy and deal to the corruption in the country, promising to move Bulgaria forward in the pre-accession process. This platform was a success as the UDF (under Ivan Kostov) came to power in 1997.

This new coalition government united a number of smaller parties from all sides of the political spectrum and functioned relatively smoothly, allowing legislation to pass easily in parliament.¹⁶⁰ One of the first steps taken by the new government was that in July 1997 a currency board was introduced to effect economic stabilisation (as the centrepiece of a comprehensive and stabilisation and reform programme), and the first round of legislation aimed at foreign direct investment was adopted.¹⁶¹ While the UDF government worked on stabilising the economy, the Commission issued its Opinion on Bulgaria’s application for membership to the European Union. The Commission acknowledged the new government as being reform minded noting that “the arrival in power of a new government permits the conclusion that Bulgaria is on the way to satisfying the political criteria set by the Copenhagen European Council”, however the Commission noted that that Bulgaria did not yet meet the criteria under either the political or economic criteria to be considered a candidate concluding

¹⁵⁸ *Ibid* p 169

¹⁵⁹ Grabbe, p 110

¹⁶⁰ Vachudova, p 202

¹⁶¹ Law on Encouraging of Foreign Investment Promulgated in State Gazette, Issue No. 97 of 24 October 1997

“- the current improvement in Bulgaria, following the arrival in power of a new government, indicates that Bulgaria is on its way to satisfy the political criteria;

- Bulgaria's progress in the creation of a market economy has been limited by the absence of a commitment to market-oriented economic policies; it would not be able to cope with competitive pressure and market forces within the Union in the medium term; but it would still face serious difficulties to cope with competitive pressure and market forces within the Union in the medium term;

- despite the progress that has been made, Bulgaria has neither transposed nor taken on the essential elements of the *acquis*, particularly as regards the internal market. It is therefore uncertain whether Bulgaria will be in a position to assume the obligations of membership in the medium term. In addition, considerable efforts will be needed in the areas of environment, transport, energy, justice and home affairs as well as agriculture. More generally, substantial administrative reform will be indispensable if Bulgaria is to have the structures to apply and enforce the *acquis* effectively.

In the light of these considerations, the Commission considers that negotiations for accession to the European Union should be opened with Bulgaria as soon as it has made sufficient progress in satisfying the conditions of membership defined by the European Council in Copenhagen.”¹⁶²

Bulgarian reactions to not being invited to negotiate membership were the same as Romania's as related earlier in this section. The negative opinion of the Commission that Bulgaria and Romania were not viable candidates for EU membership was to prove the impetus for these two countries to move into the next phase, real transition, in which both countries implemented true and lasting reforms, and were guided by European conditionality into transforming into candidates for the Union.

¹⁶² European Commission. Commission Opinion on Bulgaria's application for membership of the European Union, COM/97/2008 final. Brussels: 15.07.1997

4.4 Real Transition 1998-2007

For both Romania and Bulgaria real transition can really only be seen to have been implemented after the changes to pro-EU reform governments in 1996-7. 1998-2007 is the most important time period in the transition process for both countries, as it is only from 1998 onwards that there can be measured an active implementation of political and economic reform linked explicitly with the target of EU accession.

In Romania a number of laws were enacted in 1998 in an effort to move towards EU membership, including the enactment of competition law, new banking legislation, and the beginning of privatisation of the telecommunications and banking industry. In March 1998 Romania tabled its National Programme for the Adoption of the Acquis (NPAA) acquiescing to EU conditionality by outlining its plans to reach the objectives set out in the Accession Partnership. The 1998 Regular Report concluded

“Romania has accelerated the pace of transposition in agriculture, energy, transport, regional development and some areas of the internal market. Implementation and enforcement capacities are not yet sufficiently developed however to ensure the effective application of this legislation. While Romania has addressed certain aspects of the administrative capacity short term Accession Partnership priority (regional development) other short term priorities have not been satisfactorily addressed such as the internal market (restructuring of the banking sector, public procurement, state aids), the justice and home affairs (fight against organised crime and corruption, border management, demilitarisation of the police) and environment priorities”¹⁶³

Perhaps the harshest criticism concerned the Commission’s assessment of the Copenhagen criteria in relation to Romania, outlining

¹⁶³ European Commission ‘Regular Report From the Commission on Romania’s Progress Towards Accession’ http://ec.europa.eu/enlargement/archives/pdf/key_documents/1998/romania_en.pdf

‘Romania meets the Copenhagen political criteria. Much remains to be done in rooting out corruption, improving the working of the courts and protecting individual liberties and the rights of the Roma. Priority should also be given to reform of the public administration. Romania has made very little progress in the creation of a market economy and its capacity to cope with competitive pressure and market forces has worsened’.¹⁶⁴

In response to this criticism, the Romanian government managed to reach full currency convertibility, as well as enacting new banking legislation (on banking activity, on the statute of the National Bank of Romania and on bank bankruptcy)¹⁶⁵, and beginning the privatisation of the telecommunications industry with the selling of Romtelecom telecommunications provider. A fourth privatisation law was enacted, and agreements were reached with the IMF and World Bank to resume lending, as well as the privatisation of the first state bank and the first liquidation of large farms was started. Privatisation can be used as a good indicator to measure reform in countries in transition. The figure below outlines how ex-communist countries that instigated reform from the beginning of the post-communist period utilised privatisation as one of the key tools of the movement to a functioning market economy (one of the keystones of the Copenhagen Criteria, and a good example of European conditionality). By comparing privatisation in Romania and Hungary, two countries that approached transition in different ways, it can be seen just how countries that instigated reforms from the beginning were able to be included in the first wave of post-communist accession, while for Romania privatisation can really only be measured after 1993, with the level of privatisation in direct relation to the change to a pro-EU government and the transition of the economy in response to EU conditionality.

¹⁶⁴ *ibis*

¹⁶⁵ See Law No. 58 – Banking Act (Monitorul Oficial No. 121/23.03.1998); Law No. 83 - The Bank Insolvency Act (Monitorul Oficial No. 159/ 22.04.1998); Law No. 101 – The National Bank of Romania Act (Monitorul Oficial No. 203/ 1.06.1998)

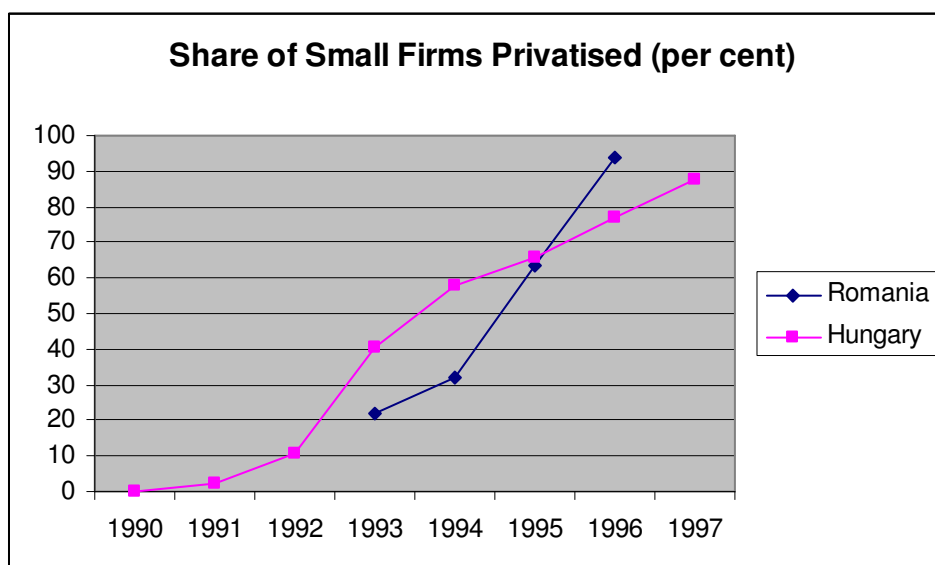


Figure.13: Share of Small Firms Privatised - Romania and Hungary (Data Source EBRD Transition Reports, various years)

As can be seen from the table below (charting private sector share of GDP), economic reform can really only be seen substantially improve once, as has been discussed earlier, the years of crisis (1996-7) had passed and pro-reform, pro-EU accession governments were elected into leadership. By comparing this data with that of Hungary, it is clearly highlighted how these two countries in transition began to economically improve to being almost at the level of their Central European counterparts.

	1999	2001	2003	2005
Bulgaria	60	70	75	75
Romania	60	65	65	70
Hungary	80	80	80	80

Figure 14: Private Sector Share of GDP in Percentage (data source: EBRD Transition Reports, various years)

Politically in 1998 the Romanian government was still unstable, with the governing coalition being still at somewhat of a stalemate in issues of economic and social reform. This coupled with Commission criticism that Romania should continue its efforts to align its legislation with the *acquis* especially in the field of the proper implementation of the break-up of former State monopolies, the lack of effective restructuring plans, dubious stability of

conditions for foreign investment, underdeveloped domestic demands for products and the indebtedness of many large foreign companies¹⁶⁶ was to mean for Romania that the country was moving further away from Bulgaria when it came to possible EU membership, and seemed to be at a standstill in fulfilling Commission requirements for membership. However small the steps the reform government was taking, and with Commission acknowledgement that Romania was still not in possession of a functioning market economy, the 1999 Regular Report recommended that Romania be granted an invite to accession negotiations, a tacit acknowledgement that Romania was attempting to move in the right direction. While this acknowledgement by the Commission was a clear attempt to use leverage to make sure that Romania continued along the path to reform, and to ensure that a situation was not created where an anti-reform platform of leadership could reimpose its views on the political situation in the country, there also remains the clear idea from the Union of using the tools of accession as part of the foreign policy of the EU, namely to ensure the safety and stability of South Eastern Europe. This became especially important after the Kosovo crisis (1998-9), as many in the Council thought that to continue the exclusion of Romania would undermine the governments efforts at political and economic reform, especially after Romania's support for the NATO bombing campaign against Serbia, which was not only domestically unpopular but also punished Romania economically.¹⁶⁷

In February 2000 Romania formally opened accession negotiations with the European Union. As Romania was part of a group of ten countries moving through the accession process, the accession of any one of these countries was assessed on how quickly and competently the chapters of the *acquis* were opened and closed. The Commission still maintained close observance of the progress of all ten countries through Monitoring Reports., designed to inform the both Council and Parliament about the candidate countries progress as well as to guide the candidate in their preparation.

¹⁶⁶ Commission Report [COM(99) 510 Final

¹⁶⁷ O'Brennan, pp 35-36

One of the first steps in the accession process once negotiations have been opened is the negotiations on the *acquis* chapters. This can only be carried out once a candidate country has fulfilled two conditions, namely, a minimum necessary level of adoption of the *acquis*, and a Position Paper outlining the situation and present future programmes for fulfilling the requirements of accession. By the end of 2000 Romania has submitted Position Papers for 13 chapters, nine being opened and six provisionally closed. Romania was not institutionally ready in 2000 to begin the coordination needed to negotiate the *acquis* chapters, with the National Delegation of Negotiations being created at the same time as the opening of negotiations. As Romania began to lag behind other candidate countries quite quickly in accession negotiations, this was remedied in 2001 with the Ministry of European Integration being specially created by the Romanian government to coordinate the country's accession negotiations.¹⁶⁸

In the 2000 Regular Report from the Commission, Romania was judged to have met the 1999 Accession Partnership's short-term priorities, but warnings were given regarding these priorities to ensure that the 1999 reform process was to be continuous.¹⁶⁹ Once again the Romanian governmental situation changed. Ion Iliescu, the illiberal leader of the first seven years of transition regained power, mostly due to the Romanian population's general disenchantment with the present governments reform progress and the continuing levels of corruption still evident in the country. Iliescu, realising the different priorities of the Romanian population from when he was last in power, continued with the previous governments reform process, earning praise from the World Bank, EBRD and the European Commission for tackling stalled economic reforms, including restoring the economy to positive growth from the recession years of 1997-2000.¹⁷⁰ The Ministry of European Integration in 2001, continuing under the Iliescu – Nastase government, took a more structured approach to the accession process, setting for the country a strategic objective of, by the end of

¹⁶⁸ Phinnemore, p 82

¹⁶⁹ European Commission '2000 Regular Report from the Commission on Romania's Progress Towards Accession' 08.11.2000

http://ec.europa.eu/enlargement/archives/pdf/key_documents/2000/ro_en.pdf

¹⁷⁰ Vachudova, p 213

2001, drawing up and sending to Brussels position papers of all the outstanding *acquis* chapters¹⁷¹. A special privatisation agency (APAPS) was established, with its first action being the privatising of both the largest steel-maker, and the second largest state bank.

By the end of 2001 twenty-nine negotiating chapters had been transmitted to the Commission, with Romania opening seventeen chapters and provisionally closing nine. After two years of reporting no progress in the area of economic policy by the Commission, the November 2001 evaluation noted that Romania had ‘made progress in implementing the numerous priorities linked to economic criteria ...and a medium-term economic strategy had been developed’¹⁷² Reform continued apace in 2002, with the Romanian government adopting new tax laws (on both VAT and profit tax¹⁷³) and beginning the privatisation of the largest state-owned bank (Banca Comerciala Romana). The impact of these reforms can be seen below in the charting of the level of foreign direct investment in Romania from 1991 – 2004. This clearly shows the impact the economic reforms passed by the pro-EU government after 1997 were having in strengthening the economy in the movement towards a functioning market economy.

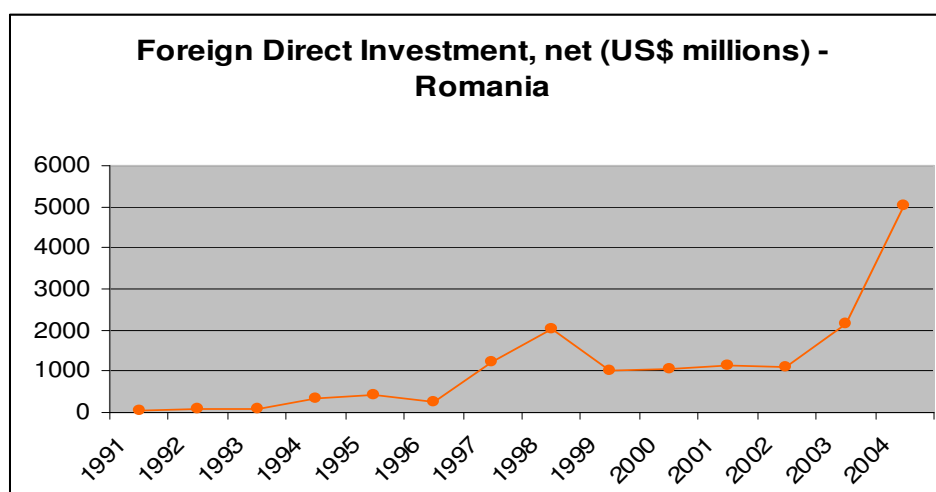


Figure 15: Foreign Direct Investment, net(US\$ millions) – Romania (Data source: EBRD Transition Reports, various years)

¹⁷¹ Phinnemore, p 83

¹⁷² Commission Report COM(2001) 700 Final SEC(2001) 1753

<http://europa.eu.int/scadplus/leg/en/lvb/e40108g.htm>

¹⁷³ See Law 345/2002 regarding VAT and Profit Tax Law 414/2002

The European Council at Copenhagen (December 2002) can be seen in the accession process as one of the most important council's on the road to accession for Romania. It was during this Council that 2007 was set as the goal for accession to the EU, with Romania being specifically promised that the 'enlargement negotiations with them would continue without delay on the basis of the same principles that had applied to the other candidates.'¹⁷⁴ The Council adopted a Roadmap for Romania, which set out tasks to be completed by the country, and extra financial assistance to help these tasks be achieved. The Roadmap for Romania

“concentrates on administrative and judicial capacities, economic reform and the chapters of the *acquis*. The current situation in these three areas is described and steps to be taken are indicated. Key areas for the reform of the public administration and the reform of the judiciary are highlighted. The Commission will support these reforms through the Phare programme. Priority areas for the economic reform are set out: rate of inflation, inter-enterprise arrears, wage bill in the public sector, energy costs, tax reform, budgetary reform, bankruptcy procedures, development of financial intermediation, enforcement of property rights, transactions and prices of agricultural land, public enterprise reform, completion of privatisation in the banking sector, public investment in infrastructure, education, the environment and health, and reduction of State aid. Finally, for each of the chapters of the *acquis*, the necessary measures are indicated.”¹⁷⁵

The adoption of this Roadmap was a clear sign of active leverage being applied to Romania to continue the accession process, with the Roadmap utilising EU conditionality, detailing exact tasks that needed to be fulfilled before Romania could accede to the Union. By the end of 2002 Romania had opened

¹⁷⁴ Vassilou, p 96

¹⁷⁵ "Towards the Enlarged Union." Strategy Paper and Report of the European Commission on the progress towards accession by each of the candidate countries [COM(2002)700 final
<http://europa.eu/scadplus/leg/en/lvb/e50010.htm>

negotiations on 30 chapters, of which sixteen were provisionally closed,¹⁷⁶ and was also invited to join NATO in November 2002.

Romania's priority for 2003 was the focusing on those chapters concerned with the internal market, as well as substantial advancement in the provisional closing of chapters.¹⁷⁷ A new labour code was enacted in March 2003¹⁷⁸, bringing Romania into line with EU legislation, while the euro became the reference currency for open market operations. The European Council at Thessaloniki (June 2003) and Brussels (December 2003) recognised Romania's efforts, with the 2003 Regular Report acknowledging Romania's provisionally closing of 20 chapters of the *acquis*.¹⁷⁹

2004 was an exceptionally difficult year for the Romanian accession process. Those chapters that remained open included some of the most difficult (justice and home affairs, competition and environment). In June 2004 the Romanian government passed a series of laws designed to reform the judiciary and strengthen the role of the Superior Council of the Magistrates, a strong and independent judiciary being one of the cornerstones of EU conditionality. Competition law was strengthened with amendments to earlier competition laws strengthening the role of the Competition Council by giving it exclusive administrative authority over competition issues.¹⁸⁰ In the business area, a new law on the registration and authorisation of business was adopted¹⁸¹ while privatisation of large state-owned enterprises continued. In the Communication from the Commission [COM(2004), 6 November 2004], the Commission stated its wish to conclude negotiations with Romania by the end of 2004, acknowledging that Romania had only three chapters left to negotiate

¹⁷⁶ Phinnemore, p 83

¹⁷⁷ *Ibid* p 84

¹⁷⁸ See The Law no. 53/2003 – Labor Code

http://ccer.ro/index.php?option=com_content&task=view&id=36&Itemid=84

¹⁷⁹ European Commission, Regular Report on Romania's progress towards accession, http://ec.europa.eu/enlargement/archives/pdf/key_documents/2003/rr_ro_final_en.pdf

¹⁸⁰ See The Regulation for the organization, operation and procedure of the Competition Council, published in the Official Gazette of Romania, Part I, no. 288 of 1 April 2004

¹⁸¹ Law no. 359/2004 on simplifying the formalities for the registration with the Trade Registry of natural persons, family associations, and legal persons, their fiscal registration as well as for authorizing the functioning of legal persons, <http://www.sova.ro/corectate/Correct%20II/Newsletter/Buletin%20-%20Trade%20Registry%20Law%20no.%20359%202004.pdf>

(competition, environment and justice and home affairs) The Communication concluded that Romania would not immediately adopt the euro upon accession, and that the removal of border controls would be decided upon by each Member State. In recognition of the slow pace of reform in Romania, and as an incentive for reform to be concluded in a timely manner, the Commission inserted three safeguard clauses into the Accession Treaty for Romania (which had started being drawn up in June 2004), concerning the areas of justice and home affairs, the economy and the internal market, which were specifically placed in the accession treaty to allow for any serious shortcomings. As an added incentive, a specific safeguard clause was also entered, specifically for the fifth wave of enlargement of Romania and Bulgaria, which would allow the accession date to be postponed to January 2008 if the conditions of accession were not fulfilled in time.¹⁸² This new clause, applied for the first time by the Commission to a candidate country was a new form of direct leverage aimed at Romania, to ensure that the country continued to accede to European conditionality in regard to its reform process.

2004 also saw another change in government, Iliescu being narrowly defeated by Traian Basescu, who appointed Calin Popescu – Tariceanu (Liberal Party) as leader of another coalition government. The top priority of this new leadership was the continuation of the previous governments reform programme for EU membership. Romania signed its Treaty of Accession to the European Union in Luxembourg on 25 April 2005, in which the country was scheduled to join the European Union on 1 January 2007. The Monitoring Report of 2005 [COM (2005) 543 Final] highlighted further progress needed in a number of areas, including the continued fight against corruption (which was seen as affecting the implementation of the *acquis*), the slow pace of privatisation and the development of a sufficient administrative and judicial capacity to implement and enforce the *acquis*. The report concluded that Romania's vigorous implementation of its structural reform programme should enable the country to

¹⁸² Communication from the Commission to the Council and the European Parliament of 6 November 2004, Strategy Paper of the European Commission on progress in the enlargement process, [COM(2004) 657 final <http://europa.eu.int/scadplus/leg/en/lvb/e50016.htm>]

withstand competitive pressure and market forces within the Union. However, this report carried a stern warning to Romania

“There are a limited number of specific gaps in both countries’ preparations which give cause for serious concern. Without immediate action Bulgaria and Romania will most likely not be able to fulfil their obligations in those specific areas by 1 January 2007. Bulgaria and Romania hold the key to their accession on time; even more than in the past years, they need to take firm and decisive steps to tackle these issues”¹⁸³

These issues of ‘serious concern’ covered the field of public procurement in free movement of goods, as well as the protection of intellectual and property rights in company law, and a significant number of issues to be addressed in the field of agriculture. The last area of concern was in the field of justice and home affairs, in particular in regards to preparations for applying the Schengen *acquis*¹⁸⁴. Without the priority given by the country to these issues it was clear from the Commission’s special emphasis on these areas of concern that there was a probability that the accession safeguard clause may be implemented, delaying accession by a year. While the Commission highlighted areas of serious concern, it should be noted that PHARE funds kept flowing towards both Romania and Bulgaria, as in 2005 alone € 1178.96 million was allocated to Romania and Bulgaria

“comprising [of] € 921 million for national programmes, EUR 80 million for cross-border co-operation, € 84.75 million for regional and horizontal programmes, € 6.31 million for nuclear safety, € 50 million for the decommissioning of the Kozloduy power plant in Bulgaria and € 36.9 million in additional allocations following the flooding in Bulgaria and Romania’

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¹⁸³ European Commission, Comprehensive monitoring report on the state of preparedness for EU membership of Bulgaria and Romania COM(2005) 534 Final

¹⁸⁴ The Schengen *acquis* is the body of law concerned with the creation of a territory without internal borders in the EU (the Schengen area). New member countries are bound by the Schengen *acquis* but certain provisions will apply to them only after border controls have been abolished. For full information of this please see <http://europa.eu/scadplus/leg/en/lvb/l33020.htm>

¹⁸⁵ Europa : Summaries of Legislation – PHARE programme
http://europa.eu/legislation_summaries/enlargement/2004_and_2007_enlargement/e50004_en.htm

For Romania eliminating these issues of serious concern was of paramount importance in the lead-up to 2006, as this was the year in which the Commission would finalise the accession date for Romania to enter the EU, either in 2007, or whether the safeguard clause would be activated, delaying the accession until 2008. The first Monitoring Report of 2006 (May) highlighted that significant progress had been made, with the areas of concern being cut down from fourteen to four. These four areas of concern which required urgent attention

- ‘– accrediting fully operational paying agencies for handling direct payments to farmers and operators under the common agriculture policy, building on progress made (acquis chapter 7);
- setting up a proper integrated administration and control system (IACS) in agriculture, building on progress made (acquis chapter 7);
- building-up of rendering collection and treatment facilities in line with the acquis on TSE and animal by-products (acquis chapter 7);
- tax administration IT systems ready for inter-operability with those of the rest of the Union, to enable a correct collection of VAT throughout the EU internal market (acquis chapter 10).¹⁸⁶

along with a number of issues that were outlined as still needed to be strongly enforced (including ongoing judicial reforms and the fight against corruption) led the Commission to conclude that a further monitoring report in October would contain final directions for accession. From the table below it can be seen that corruption was indeed an area of serious concern for the EU, as there appeared to be from 1999 no tangible results in the fight against corruption in Romania, with corruption scores rising in Romania in 2000 and 2001, before finally beginning to drop in 2002.

¹⁸⁶ European Commission, Communication from the Commission: Monitoring report on the state of preparedness for EU membership of Bulgaria and Romania {SEC(2006) 595} SEC(2006) 596} {SEC(2006) 598} COM(2006) 214 final <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0214:FIN:EN:PDF>

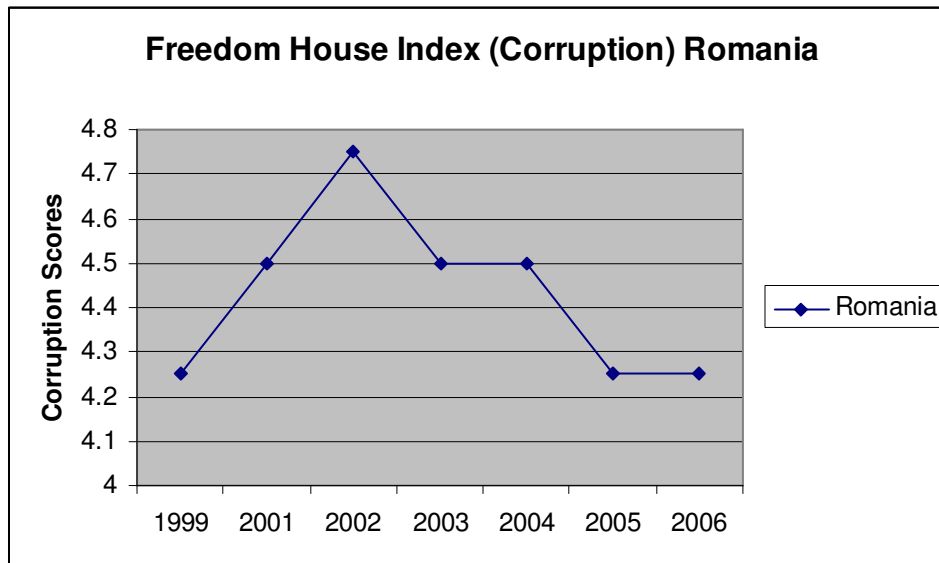


Figure. 16: Freedom House Index (Corruption) Romania

However, it can be seen that Romania was making much progress in the economic field from 1996. GNI per capita tracked by the World Bank shows a steady increase for Romania, as part of the economic reforms implemented by the Romanian leadership and required by the European Union.

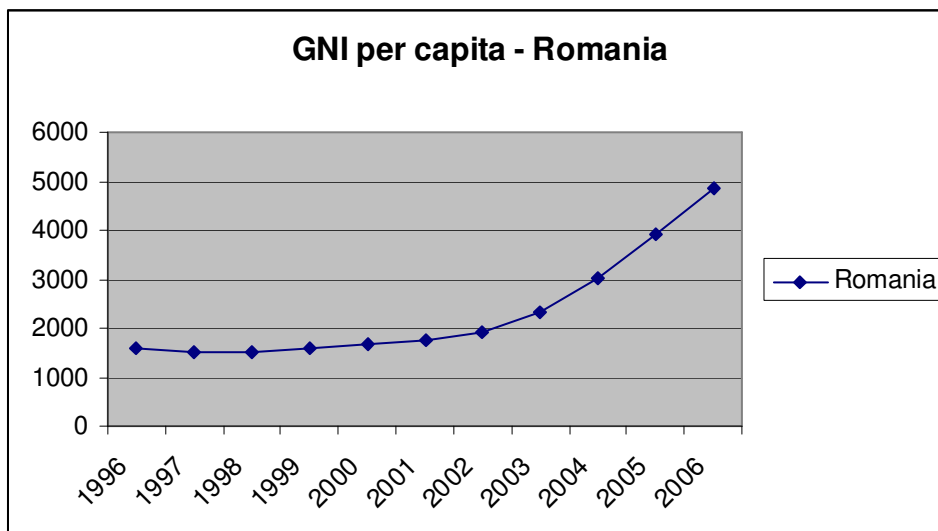


Figure 17 – GNI per capita – Romania (data source: World Bank, Atlas Method)

The Romanian leadership was rewarded for its continued reform pace and for actioning the serious areas of concern in September when the final monitoring report was released. While further progress was still needed to implement the measures outlined, and while Romania would still have to cooperate with the Cooperation and Verification mechanism (on specific benchmarks laid out by

the Commission) after accession so that areas of concern could still be monitored by the Commission, the report concluded

‘As a result of the progress made, Bulgaria and Romania will be in a position to take on the rights and obligations of EU membership on 1 January 2007. The Commission looks forward to welcoming Bulgaria and Romania as fully-fledged members of the European Union on this date.’¹⁸⁷

On 1 January 2007 Romania became the 27th Member State of the European Union, having emerged from the communist system via a violent revolution, and after years of political and economic instability had managed to transform itself, through European conditionality and direct and passive leverage into a European Union Member State.

For Bulgaria, 1997 was also the turning point into real transition. The newly elected UDF government enacted a number of new measures aimed at both reforming the country and acquiescing to the demands for EU membership, including comprehensive tax reform, amendments to previous privatisation laws to broaden range of methods, full current accountability introduced, the adoption on new banking laws, reform of the energy sector, and consolidation of the stock exchange. Privatisation in Bulgaria was desperately needed. As shown earlier, the importance of privatisation to countries in transition cannot be ignored and comparisons with Hungary (a country that implemented reforms almost immediately after the fall of the communist leadership) go some way to showing just how ineffectual previous governments has been in reforming the Bulgarian economy post-communism.

¹⁸⁷ European Commission Communication from the Commission: Monitoring report on the state of preparedness for EU membership of Bulgaria and Romania COM(2006) 549 final http://ec.europa.eu/enlargement/pdf/key_documents/2006/sept/report_bg_ro_2006_en.pdf p 52

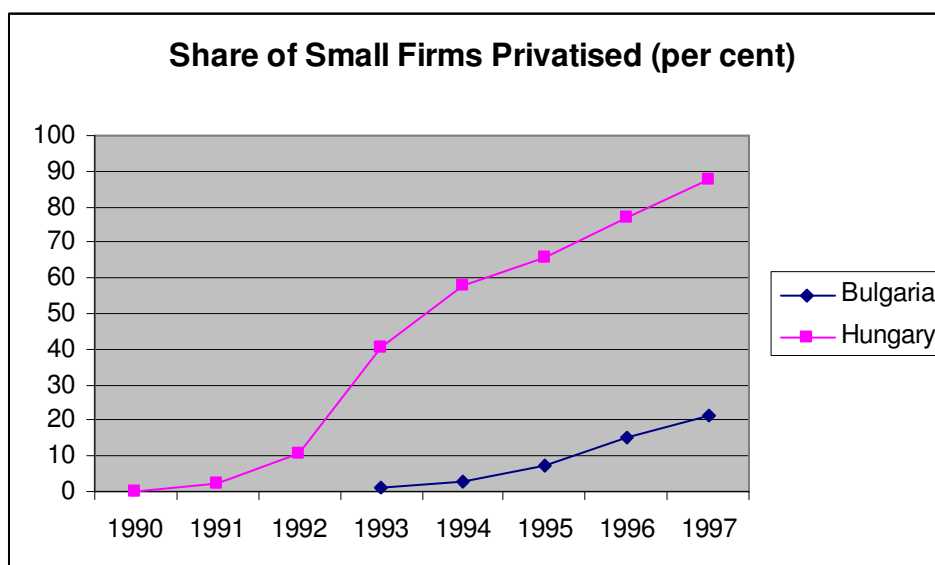


Figure. 18: Share of small firms privatised (per cent) (Data source: EBRD Transition Report 1999)

As can be shown in Figure 14 (page 79) and Figure 23 (page 100) once the years of crisis have passed, there can be seen very definite progress in economic reforms in Bulgaria after the change of leadership to one that actively implemented reform in the economic sector.

The path to EU membership status is not based solely on economic factors. Bulgaria launched a campaign of judicial and social reform in lines with the EU recommendations for candidacy. Included in this were the Public Orders Act, the Administration Act, the Regional Development Act and the Civil Servants Act, all aimed at lessening the dependence of local authorities on central government, as well as the beginning of major reforms in the area of Justice and Home Affairs, another essential component of EU enlargement. In December 1997 Bulgaria (like Romania) was encouraged to continue with its reform process through being allowed to participate in the accession process from March 1998, as decided by the Luxembourg Council. Bulgaria's accession effort sped up as a result during 1998-9, as relevant institutions were strengthened and parliament passed many laws for adopting the *aquis*.¹⁸⁸ The Foreign Minister, in contrast to Romania's full-frontal attack on the Commission was more muted in tone, acknowledging disappointment in the negative

¹⁸⁸ Pridham, pp107-8

components, but accepted that much time had been wasted in previous years due to lack of reform.¹⁸⁹ Grabbe describes this policy of reform as ‘catch-up and imitation’ which resembled the Hungarian strategy, with Bulgaria having more difficulty than her Hungarian counterpart due to the weakness of the country’s institutions.¹⁹⁰

1998 saw the first company privatised through the stock exchange, and full current account convertibility introduced. In May Bulgaria presented a first version of its National Programme for the Adoption of the Acquis (NPAA) which describes in more detail the actions needed by the country to reach the objectives set out in the Accession Partnership. A comprehensive reform strategy for the energy sector was introduced in September 1998, and a new telecommunications law was adopted.¹⁹¹ The top priority of the UDF government was to comply with EU conditionality in respect to accession, this being acknowledged in the 1998 Regular Report which noted ‘commitment to EU membership is high in the government agenda, one of the key foreign policy goals and a major inspiration for internal reform policies’¹⁹². These reports are a clear indication of direct leverage from the Commission on Bulgaria, outlining successes and shortfalls, and giving clear direction on accession priorities. By 1999 the Commission had acknowledged that all candidate countries had been judged to have met the first political criteria for admission to the union. The admission criteria are an absolute example of European conditionality, in which ‘the Member States put the emphasis on the applicants conforming to the EU, rather than the EU reforming to fit the new members’¹⁹³

The conclusions of the European Council in Helsinki in December 1999 stated that enlargement negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania and Slovenia should begin in 2000, and it was underlined that each country would be judged on its own merit, and that each country would have the possibility to move from this ‘second-wave’ into the ‘first-wave’ group who

¹⁸⁹ Avery, p 124

¹⁹⁰ Grabbe, pp 109-110

¹⁹¹ The Telecommunications Act, promulgated on 6 August 1998

¹⁹² European Commission, Regular Report from the Commission on Bulgaria’s progress towards accession 1998 http://ec.europa.eu/bulgaria/documents/abc/progress-report-bulgaria-1998_en.pdf

¹⁹³ Grabbe, p 29

were already in negotiations.¹⁹⁴ O'Brennan concludes that the Kosovo Crisis was instrumental in the decision to open negotiations with Bulgaria in 1999¹⁹⁵, a view agreed to by Poole who emphasises that the "closure of the Danube River to commercial traffic , which caused severe economic losses to Romania and Bulgaria, but leaders of both countries supported NATO peacekeeping efforts in the Balkans"¹⁹⁶ , and Romanian and Bulgarian efforts in this regard would help these countries with their bid for EU membership. Grabbe goes as far as to suggest that EU motivation behind opening negotiations was to reward countries for their support for NATO over Kosovo, and that Bulgaria in particular, who had made many sacrifices in maintaining economic sanctions and the oil embargo, should be rewarded both financially and politically.¹⁹⁷ Accession negotiations were opened with Bulgaria in February 2000, and by December of that year Bulgaria had opened eleven chapters of the *aquis*.

For Bulgaria, the year 2000 was also the start of the last phase of transition. Part of the rapid progress of Bulgaria can be seen as stemming directly from Bulgarian policy-makers who desired to put some distance between the country's own position and that of Romania, as well as the desire to have Bulgaria moved up a tier in the negotiation position, and while this was an admirable goal and Bulgaria had made much more progress than Romania in both preparations and economic reform, the country was unsuccessful in achieving this goal.¹⁹⁸ The government continued its policy of accession being its top priority in 2001, focusing on the implementation of two strategies (judicial reform and combating corruption) and making further progress on implementing the Civil Service Law¹⁹⁹ The Commission Regular Report of 2001 noted that Bulgaria was close to having a functioning market economy, and that progress had been made in all areas of the *acquis*. A good way to illustrate this is with the percentage change in growth in real GDP as can be seen in the figure below. This figure shows just how clearly the reforms can be

¹⁹⁴ Vassiliou, p 55

¹⁹⁵ For discussion on this point, please see O'Brennan pp121-124, Poole pp102-103, Grabbe 18-19

¹⁹⁶ Poole, p 103

¹⁹⁷ Grabbe, p 18

¹⁹⁸ Grabbe, pp 112-3

¹⁹⁹ Law for the Civil Servant, promulgated 1999; Amended 2000

<http://unpan1.un.org/intradoc/groups/public/documents/NISPAcee/UNPAN012623.pdf>

directly related to the change in government in Bulgaria post-1997 and how the shift to real transition relates directly to European conditionality as an effective tool for economic reform.

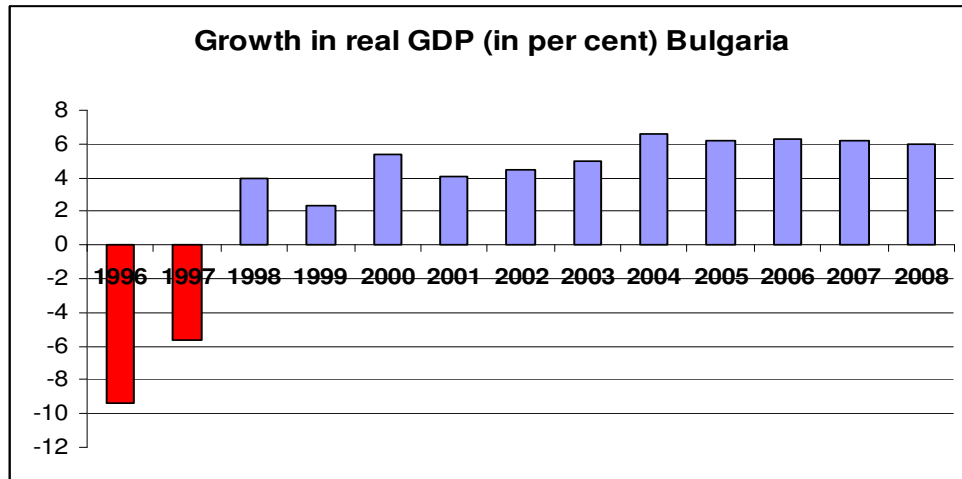


Figure 19: Growth in real GDP (in per cent) Bulgaria (Data source: Transition Report 2008)

In 2001 The Commission especially acknowledged that ‘Good progress has been made in privatisation, especially as regards banks, and with structural reform, setting the microeconomic basis for sustained growth’²⁰⁰ 2001 was an election year in Bulgaria, and while much progress had been made towards EU accession, the country itself still was victim to much poverty and corruption. Campaigning on a platform to bring significant economic improvement to the country a new party (National Movement Simeon II or NMSS), led by Simeon Saxe-Coburg (a former king who fled Bulgaria in 1946²⁰¹) was elected with 42% of the vote, forming a coalition with the MRF.²⁰² As results of this new coalition did not affect an immediate change as felt by the population in the economic situation of the country, voters elected BSP member Georgi Paronov to the presidency later that year. The BSP, like the return of Iliescu to power in 2000 (in Romania), had come to realise that the way forward for the country was to continue on the road to reform, and through this maintain popular

²⁰⁰ European Commission, 2001 Regular Report on Bulgaria’s Process towards accession (SEC) 2001 http://ec.europa.eu/enlargement/archives/pdf/key_documents/2001/bu_en.pdf

²⁰¹ Simeon Saxe-Coburg, the last King of Bulgaria before the communist takeover of Bulgaria, remained in exile with members of the Bulgarian royal family, returning to Bulgaria in 1996 with the intention of running for electoral office. In 2001 the NMSS was founded with Saxe-Coburg at its head.

²⁰² Vachudova, p 211

support. With the NMSS continuing to implement reform in line with the *acquis*, by the delivering of the 2002 Regular Report from the Commission, Bulgaria had not only provisionally closed 22 chapters of the *acquis*, but it was noted that Bulgaria had reached a the status of a functioning market economy with ‘good progress has been made in structural reforms, especially as regards procedures for market entry, the restructuring of the financial sector and privatisation, thus setting the microeconomic basis for a process of sustained growth’²⁰³. In December 2002 the Commission adopted the Roadmap for Bulgaria, aimed at guiding the country towards accession in 2007, concentrating on administrative and judicial capacities, economic reform and the chapters of the *acquis*. Special emphasis was placed on the implementation of a strategy and action plan for the reform of the judiciary. The Roadmap also contained a substantial increase in pre-accession aid. The Roadmap can be seen as a fine example of direct leverage by the Commission towards Bulgaria, outlining definite strategies to be adhered to, working towards the end goal of EU accession.

As part of Bulgaria’s compliance with EU conditionality, new legislation was passed in 2003 to help facilitate market entry. Included in this was the a law on the restriction of administrative regulation and control on business activity²⁰⁴, and a new energy and efficiency law which provided for the gradual liberalisation of the sector and to help facilitate market entry in the field of energy generation²⁰⁵. Amendments to the Civil Procedural Code and to the Penal Procedural Code were implemented with the aim of making court proceedings more efficient, and a commission was set up to implement a strategy for the reform of the judiciary, covering necessary constitutional changes, administrative justice and procedural legislation. The Parliament also set up a permanent 24 member committee responsible for fighting corruption, its main task being to bring legislation into line with the *aquis*. Freedom House credits the adoption of the national strategy aimed at fighting corruption and the

²⁰³ European Commission, 2002 Regular Report of Bulgaria’s progress towards accession (SEC) 2002 http://ec.europa.eu/bulgaria/documents/abc/rr-bg-en-2002_en.pdf p 46

²⁰⁴ The Restriction of Administrative Regulation and Control of Economic Activity Act, promulgated 2003

²⁰⁵ The Energy Law published State Gazette No. 107 promulgated 2003

resultant establishment of the committee with helping to aid the fight against corruption in Bulgaria, and contributing to the fall in corruption as see in the Freedom House Index corruption scores laid out below.²⁰⁶

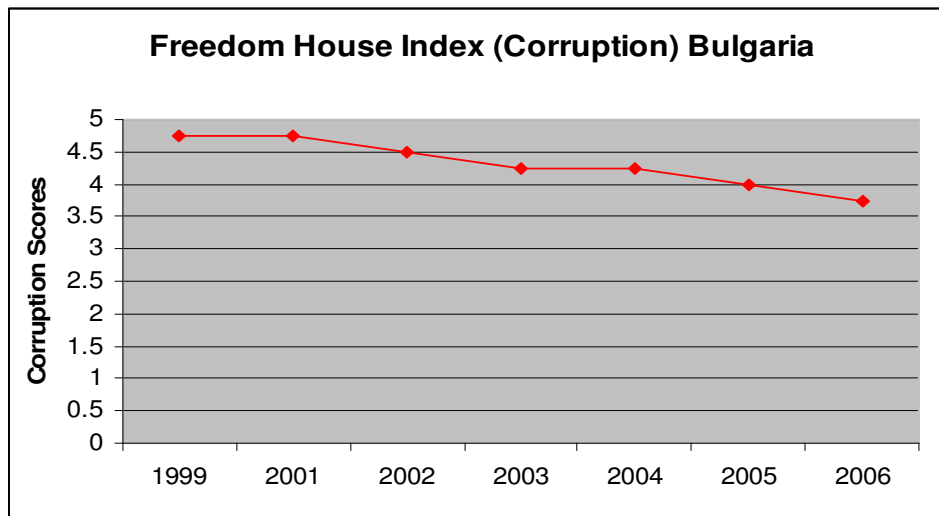


Figure 20: Freedom House Index (Corruption) Bulgaria

In the 2003 Regular Report published by the Commission, Bulgaria had provisionally closed 26 chapters of the *acquis* and was considered on target for accession in 2007, the fight against corruption was noted as being high on the governments priorities, and “the amendments to the Constitution regarding the status of magistrates, represent an important step forward”²⁰⁷. The economic situation was also highlighted, detailing how the government had achieved a high degree of macroeconomic stability due to a good policy mix. By June 2004 all the chapters of the *acquis* were provisionally closed, a financing framework was defined, and work began on the drawing up of the Accession Treaty, also with the same four safeguard clauses as were applied to Romania (mentioned earlier).²⁰⁸ With the signing of the Accession Treaty in Luxembourg on 25 April 2005, the Bulgarian government continued its reform strategy. The Accession Treaty made it clear that if reforms were to stagnate, then the accession of Bulgaria to the EU would be subject to the safeguard clauses of the Treaty. Progress would be closely monitored by the Commission, to ensure that these reforms were carried out. The success of the reforms presided over by

²⁰⁶ <http://www.freedomhouse.org/template.cfm?page=47&nit=188&year=2003>

²⁰⁷ European Commission, 2003 Regular Report of Bulgaria’s progress towards accession (SEC) 2003 http://ec.europa.eu/enlargement/archives/pdf/key_documents/2003/rr_bg_final_en.pdf p 121

²⁰⁸ “Strategy Paper of the European Commission on progress in the enlargement process” [COM(2004) 657 final

former BSP leader and Prime Minister Paronov (2000-2005), and the successful conclusion of the signing of the Accession Treaty, enabled the BSP party to regain the governmental majority in the 2005 elections. The BSP, NMSS and the MRF parties formed a coalition government, headed by Sergey Stanishev as Prime Minister, with this coalition still remaining committed to the idea of EU membership, and the continued implementation of reforms to achieve this.

The 2005 Monitoring Report on Bulgaria's process, while recognizing that Bulgaria had reached a considerable level of alignment with the *acquis* in most policy areas, recognized that there were still sixteen areas of serious concern that Bulgaria had to increase efforts to address, including the fight against corruption and organized crime and preparations for implementing the Schengen *acquis*. This warning was given due consideration by the Bulgarian leadership, as a number of high level corruption cases were launched after October 2005, the immunity of six members of parliament being lifted in order to facilitate this process. The actions of public officials became more transparent with amendments being made to the Law for Publicity of the Property of Persons Occupying High State Positions widening the range of persons required to publicly declare their assets.²⁰⁹ However, like the situation in Romania as discussed above, GNI indicators show a steady pace of economic reform from the years of financial crisis in 1996-7.

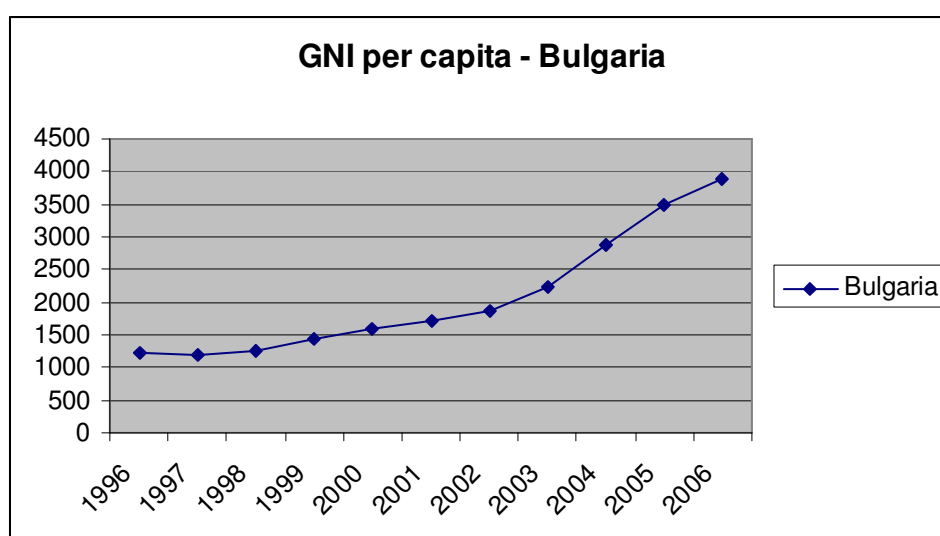


Figure 21: GNI per capita – Bulgaria (Data source: World Bank, Atlas method)

²⁰⁹ Law for Publicity of the Property of Persons Occupying High State Positions promulgated in the State Gazette, April 2006

For the government and people of Bulgaria, 2006 was a year spent anxiously waiting for the European Commission's final decision on whether the country had fulfilled enough of the conditions imposed by the Commission to allow the entry of the country to the European Union in January 2007, or whether this entrance would be deferred until 2008. Prime Minister Stanishev urged the EU not to postpone the entry in 2007, stating that the postponement would be perceived as a rejection of Bulgaria, and would be a boost to Eurosceptics in the country.²¹⁰ On the 30th March 2006 EU enlargement commissioner Olli Rehn declared that Bulgaria had reached a "critical" phase in its preparation for EU accession.²¹¹ Anxiety mounted further as the Monitoring Report released on 16 May, while still affirming the accession date of 1 January 2007, held off on final confirmation of accession until another report was issued in October, Commission President Barosso telling the parliament that 'the possibility of being ready in 2007 is do-able, but it is for the two countries to deliver'.²¹² The May 2006 Monitoring Report outlined six areas of serious concern that required urgent actions :

- setting up a proper integrated administration and control system (IACS) in agriculture (acquis chapter 7);
- building-up of rendering collection and treatment facilities in line with the acquis on TSE and animal by-products (acquis chapter 7);
- clearer evidence of results in investigating and prosecuting organised crime networks (acquis chapter 24);
- more effective and efficient implementation of laws for the fight against fraud and corruption (acquis chapter 24);
- intensified enforcement of anti-money laundering provisions (acquis chapter 24);
- strengthened financial control for the future use of structural and cohesion funds²¹³

²¹⁰ BBC News, EU 'to delay' Balkan bid decision
<http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/europe/475361.stm> 10.05.2006

²¹¹ EU Observer, Rehn says Bulgaria's EU entry preparation in 'critical' phase
<http://euobserver.com/9/21283>

²¹² BBC News 'EU entry hopefuls 'must do more'
<http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/europe/4984922.stm> 17.05.2006

²¹³ European Commission, Communication from the Commission: Monitoring report on the state of preparedness for EU membership of Bulgaria and Romania {SEC(2006) 595} {SEC(2006) 596}

with the concluding statement

‘The Commission will report on Bulgaria's and Romania's progress in addressing the outstanding issues no later than early October. On this basis, the Commission will consider whether the date of their accession to the European Union on 1 January 2007 can be maintained. This report will also specify any areas where safeguards or other remedial measures may be needed upon accession.’

giving Bulgaria five months to remedy the areas of serious concern enumerated above. The release of the Commission’s Monitoring Report on 26 September 2006, highlighted the ways in which these areas of concern had either been completed or were in the process of being finalised. The report concluded with

‘Overall, Bulgaria and Romania have made far-reaching efforts to adapt their legislation and administration to the laws and rules of the European Union. This has largely brought them into line with prevailing standards and practices within the European Union. Sustained support from the European Union will be available for addressing the remaining issues. Sufficient guarantees exist in the *acquis* and the Accession Treaty to ensure the proper functioning of EU policies and institutions. As a result of the progress made, Bulgaria and Romania will be in a position to take on the rights and obligations of EU membership on 1 January 2007. The Commission looks forward to welcoming Bulgaria and Romania as fully-fledged members of the European Union on this date.’²¹⁴

On 1 January 2007 the fifth wave of European Union enlargement was complete, Bulgaria having implemented the necessary reforms in a relatively quick timetable. It can be seen from the events enumerated above that in reality true and lasting reform can only be seen after the governmental change in leadership in 1997. Within ten years Bulgaria had managed, by complying with European conditionality and responding in a positive way to EU direct leverage

{ SEC(2006) 598 } COM(2006) 214 final <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0214:FIN:EN:PDF>

²¹⁴ European Commission, Communication from the Commission: Monitoring report on the state of preparedness for EU membership of Bulgaria and Romania COM(2006) 549 final http://ec.europa.eu/enlargement/pdf/key_documents/2006/sept/report_bg_ro_2006_en.pdf p 52

to become a member of the European Union. As can be seen above, the impact of the EU on the transition for Bulgaria cannot be denied. This can plainly be seen in the figure below. By using foreign direct investment as an indicator, there can clearly be seen the positive impact real reform has on the level of FDI, a necessary economic factor for the transition on an economy to becoming a fully functioning market economy, one of the many conditions to be met before EU membership can be granted. The table below not only shows the impact that economic reform has on countries in transition, but also clearly highlights how progress in the EU accession process directly influences economic growth in candidate countries.

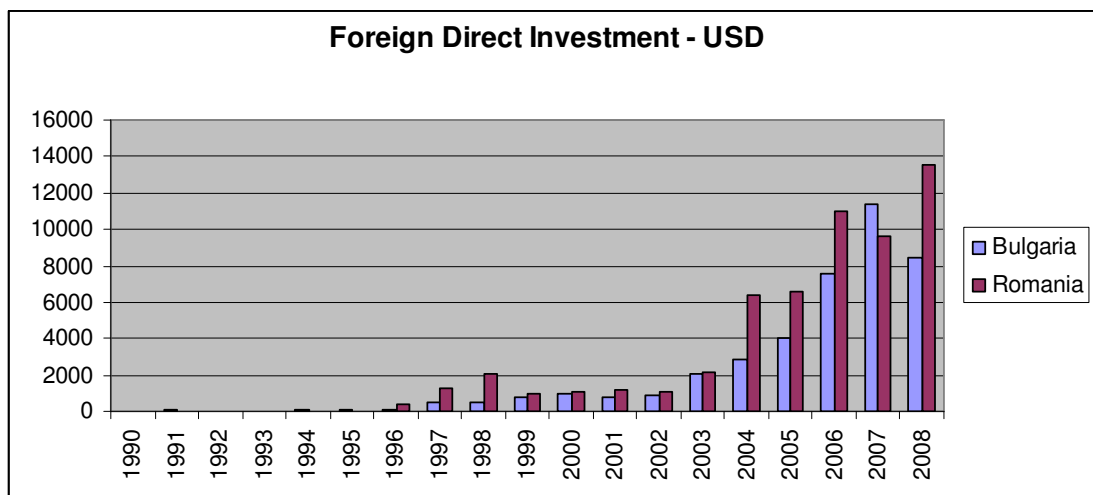


Figure 22 : Foreign Direct Investment – USD Romania and Bulgaria (Data source EBRD Economic Statistics and Forecasts)

This point can be highlighted in more detail by comparing economic transition in Romania and Bulgaria with that of Poland and Hungary. The following table shows a clear correlation between the impact that the EU accession process has on potential candidate countries.

	Economic Transition 1999	Economic Transition 2003	Economic Transition 2006
Bulgaria	2.8	3.4	3.5
Romania	2.8	3.1	3.3
Poland	3.5	3.5	3.7
Hungary	3.7	3.8	4.0

Figure 23: Economic Transition in Bulgaria, Romania, Poland and Hungary (data source : Transition Report 1999, 2009) Transition scores taken from the EBRD, where scores range from 1 (little or no change) to 4.3 (comparable to advanced industrial economies)

In looking in detail at the accession of Romania and Bulgaria to the EU it is important to stress the two periods of transition: fake and real. While the tools of accession were defined in 1994 by the European Union in relation to enlargement, as can be seen in the period of fake transition, even having these forms of EU conditionality does not automatically ensure that countries will be able to meet these conditions with only a minimum of effort. As can be seen from the reforms implemented above, it is only when these countries entered the real reform stage, after the election of governments dedicated to the idea of EU membership does true and lasting reform begin to take place.

5. The Fifth Wave of EU Enlargement – What implications and conclusions can be drawn from this?

The enlargement from 25 to 27 member states in January 2007 is not the end of the enlargement process of the European Union. In 2009 there are a number of candidate and potential candidate countries (Croatia, Turkey, the Former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina Montenegro and Serbia including Kosovo under UN Security Council Resolution) with the EU having repeatedly affirmed its commitment to these countries for eventual EU membership, provided they accede to the EU's stringent membership criteria. Can any conclusions be drawn from the accession experiences of Romania and Bulgaria in respect to further European enlargement to the East? The last section of this research, before moving onto conclusions, focuses on answering this question. The section is divided into two parts, the first looking at the situation post-enlargement 2007 in Romania and Bulgaria, while the second part is concerned with the implications of the 2007 enlargement on potential candidate countries.

5.1 Romania and Bulgaria: the situation post-enlargement

Vachudova states that 'the EU's leverage on aspiring member states appears to be the single best tool for promoting stability, democracy and economic prosperity on the European continent'²¹⁵ This is clearly accurate when applied with European conditionality to both Romania and Bulgaria, as can be seen from the previous section. But what happens once a country has become a Member State? Does leverage have the same impact in maintaining a sustainable reform process once the accession goal has been reached? For Romania and Bulgaria both, the 2007 enlargement was seen as the successful conclusion of their goal to enter the European Union. Once accession had become not only a paper but concrete goal for the governments of these two countries, reforms had continued at a steady pace. However, the situation after 2007 in Romania and Bulgaria needs to be examined to analyse the continued impact of the EU after accession.

²¹⁵ Vachudova, p 247

Bulgaria and Romania are both subject to monitoring from the EU even after the accession under the Cooperation and Verification Mechanism (CVM). Using the CVM Reports (which are published twice a year) the Commission helps to not only assist in helping to reform these benchmarks, but also to chart the continuation of the reform process. The first CVM report for Romania, issued June 27 2007, outlined the four benchmarks that needed continued reform (judicial reform, the establishment of an integrity agency, the tackling of high level corruption and the fighting of corruption within the local government). This report indicated that while Romania had made progress in varying degrees in meeting the benchmarks of the CVM the efforts were overall insufficient, and much more sustained progress was needed.²¹⁶ The second (interim) report approved by the Commission in February 2008, once again noted

“The present interim report expresses the Commission's concern on the absence of convincing results to date in the fight against high-level corruption in Romania. It suggests that Romania should particularly step up its efforts to achieve progress in this area ahead of the Commission's next report.”²¹⁷

and

“The report concludes that delays have occurred in implementing a coherent recruitment strategy for the judiciary (benchmark 1), in the establishment of a National Integrity Agency (benchmark 2) and in developing an overall strategy and implementing flagship projects to fight local corruption (benchmark 4)”²¹⁸

Only one year after the accession to the European Union it appeared as though reforms had once again stagnated in Romania. The Commission issued a full CVM Report in June 2008, which contained in more detail the monitoring of reform in Romania. While the Commission noted that Romania had put the fundamental elements of judicial reform and the fight against corruption in

²¹⁶ European Commission, Key findings of the progress report on the Cooperation and Verification Mechanism with Romania, <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/07/262&format=HTML&aged=0&language=EN>

²¹⁷ European Commission Interim Report on Progress in Romania with Judiciary Reform and the Fight against Corruption, Memo/08/72

²¹⁸ *ibid*

place, the foundation was fragile and decisions on corruption were highly politicised. The report concluded that

“an unequivocal and renewed commitment is needed at all levels – across the political spectrum, the administration and the judiciary - to cleanse the system of corruption and to fully respect the rule of law. The Commission strongly encourages Romania to intensify its reforms and to maintain its close cooperation with the other Member States and the Commission so that the significant remaining challenges can be tackled successfully together.”²¹⁹

The decision was made by the Commission at this time not to invoke the safeguard measures tied to these benchmarks that were available through the Accession Treaty, but rather continue with positive support from the Commission to help Romania finalise these benchmarks. As can be seen earlier in Figure 21 (in chapter four), economic performance in Romania continued to increase steadily after accession, with the Commission being more focused on the issues raised above. When looking at data such as EBRD transition indicators (see for example Figure 22), social indicators continue to show progress in economic and social reforms, however the Commission is correct in its interpretation of the areas where reforms have stagnated.

Using indicators from Freedom House, it is possible to illustrate just how little actual judicial reform has been carried out in Romania in contrast to other new EU member states. Data from 2000- 2008 shows that there has been little improvement in the development of an independent judiciary, even after becoming an EU Member State, Romania having the least independent judiciary in any of the new EU members.

²¹⁹ European Commission Report from the Commission to the European Parliament and the Council On Progress in Romania under the Co-operation and Verification Mechanism COM(2008) 494 Final http://ec.europa.eu/dgs/secretariat_general/cvm/docs/romania_report_20080723_en.pdf

	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008
New EU Members									
Bulgaria	3.50	3.50	3.50	3.50	3.25	3.25	3.00	2.75	2.75
Czech Republic	2.25	2.50	2.50	2.50	2.50	2.50	2.25	2.00	2.00
Estonia	2.00	2.00	1.75	1.75	1.75	1.50	1.50	1.50	1.50
Hungary	1.75	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75
Latvia	2.00	2.00	2.00	2.25	2.00	1.75	1.75	1.75	1.75
Lithuania	2.00	1.75	2.00	1.75	1.75	1.75	1.50	1.75	1.75
Poland	1.50	1.50	1.50	1.50	1.50	2.00	2.25	2.25	2.50
Romania	4.25	4.25	4.25	4.25	4.25	4.00	4.00	3.75	4.00
Slovakia	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.25	2.50
Slovenia	1.50	1.50	1.75	1.75	1.75	1.50	1.50	1.50	1.50

Figure 24 : Judicial Framework and Independence Ratings 2008 (data source: Freedom House)

The interim report in February 2009 stated that ‘The pace of progress noted in the Commission's report of July 2008 has not been maintained’²²⁰ concluding that ‘It is important that the Romanian authorities regain its momentum on judicial reform and the fight against corruption so as to reverse certain backward movements of recent months’²²¹ Data from Freedom House can also be used to illustrate this, as tracking of corruption levels in the new EU Member States show not only that does Romania have the highest level of corruption of any of these new members, but that it appears to be making little progress to combat this, when compared to countries such as Bulgaria, where the change is more noticeable. Pridham discusses in his article (2007) that one of the leading reasons for the lack of progress especially in the areas of justice and home affairs and corruption stem from a combination of the ‘continuing weakness of the state machine..... [and] the dependency culture that remained significant throughout the accession period’²²² It is possible to see this combination when examining the stagnation of progress in the reform in justice and home affairs and corruption, especially when those in leadership in Romania were suffering

²²⁰ European Commission, InterimReport from the Commission to the European Parliament and the Council On Progress in Romania under the Co-operation and Verification Mechanism COM(2009) 70 final http://ec.europa.eu/dgs/secretariat_general/cvm/docs/romania_report_20090212_en.pdf

²²¹ *ibid*

²²² Geoffrey Pridham, The Scope and Limitations of Political Conditionality: Romania’ Accession to the European Union, *Comparative European Politics*, 2007, 5, 347-376, p 372

from a lack of desire for judicial reform and judicial independence, being more inclined to accept funding to assist with reforms, which were tabled on paper, but not carried through. The same can be applied to the area of corruption, Romanian leaders being concerned with losing their level of patronage if the on-paper reforms of corruption they had agreed to were actually implemented.

	1999-2000	2001	2002	2003	2004	2005	2006	2007	2008
New EU Members									
Bulgaria	4.75	4.75	4.50	4.25	4.25	4.00	3.75	3.75	3.50
Czech Republic	3.25	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.25
Estonia	3.25	2.75	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Hungary	2.50	3.00	3.00	2.75	2.75	2.75	3.00	3.00	3.00
Latvia	3.50	3.50	3.75	3.50	3.50	3.50	3.25	3.00	3.00
Lithuania	3.75	3.75	3.75	3.50	3.50	3.75	4.00	4.00	3.75
Poland	2.25	2.25	2.25	2.50	2.50	3.00	3.25	3.00	3.00
Romania	4.25	4.50	4.75	4.50	4.50	4.25	4.25	4.00	4.00
Slovakia	3.75	3.75	3.25	3.25	3.25	3.00	3.00	3.25	3.25
Slovenia	2.00	2.00	2.00	2.00	2.00	2.00	2.25	2.25	2.25

Figure 25 : Corruption Ratings 2008 (data source: Freedom House)

Perhaps the more prudent course for the Commission may have been to use the safeguard clause as a form of direct leverage against Romania, rather than the more passive form of support, as it is clearly seen in the February Report that the stagnation of reforms that had begun directly after the accession to the Union has continued.

Under the Cooperation and Verification Mechanism, Bulgaria was given six benchmarks as the top priority for the country (the independence and accountability of the judicial system, the reform of the judicial system, reform and transparency of the judicial system, to fight high level corruption, to fight corruption within local government and to fight organised crime). While the first CVM report (July 2007) noted that Bulgaria had continued to make progress in remedying weaknesses, there needed to be a step up in efforts in the

pursuit of judicial reform and the fight against corruption and organised crime.²²³ The interim report of February 2008 acknowledged that those

‘areas of heavy exposure to international cooperation, such as judiciary reform and the borders show better progress in fulfilling the benchmarks than areas which have received less assistance. Future support should be focused on supporting the fight against corruption and organised crime’²²⁴

The Corruption Perceptions Index, issued in 2007 by Transparency International underscored the importance of this. This index shows that Romania and Bulgaria (as can be seen in the table below) rated as the countries with the highest corruption in the European Union, positions previously held by Poland and Greece²²⁵.

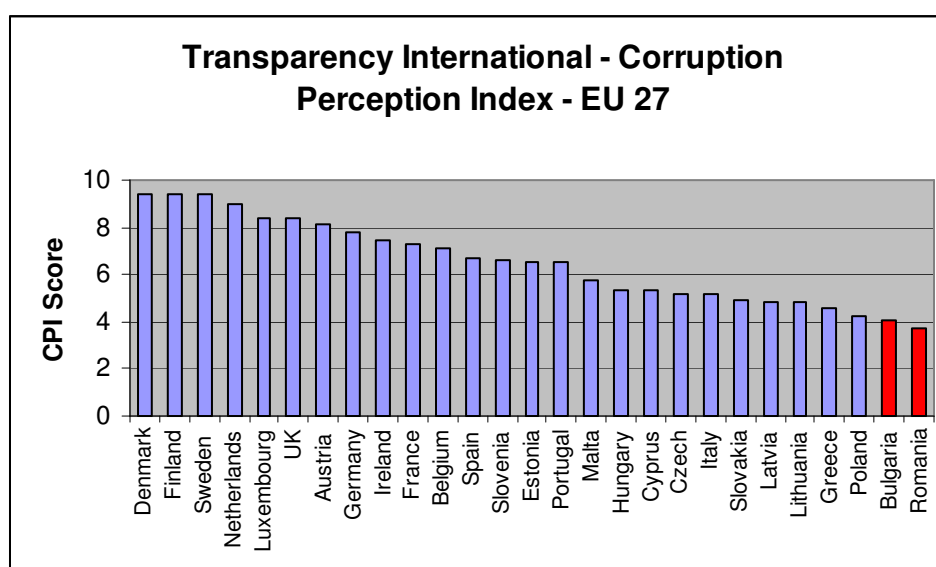


Figure 26: Transparency International – Corruption Perception Index – EU27 (Data source Transparency International)

By the second set of reports on Bulgaria July 2008, not only can there be seen to be no real continuation of reforms on the benchmarks, especially those

²²³ European Commission, Report from the Commission to the European Parliament and the Council on Bulgaria's progress on accompanying measures following Accession COM(2007) 377 final http://ec.europa.eu/dgs/secretariat_general/cvm/docs/bulgaria_report_20070627_en.pdf

²²⁴ European Commission, Interim Report from the Commission to the European Parliament and the Council On Progress in Bulgaria under the Co-operation and Verification Mechanism COM(2008) 63 final/2 http://ec.europa.eu/dgs/secretariat_general/cvm/docs/bulgaria_report_20080201_en.pdf

²²⁵ For the full report please see 2007 Corruption Perceptions Index Regional highlights: Eastern Europe and Central Asia. http://www.transparency.org/policy_research/surveys_indices/cpi/2007/regional_highlights_factsheets

concerning corruption, Bulgaria was also put on notice by the Commission after “investigations by the EU anti-fraud office, OLAF, into the management of EU funds by the Bulgarian authorities have led to the temporary suspension of pre-accession funds and the freezing of payments under various other financial instruments”²²⁶. The Commission linked this fund mismanagement to the weakness of Bulgaria’s fight against fraud and corruption, using the temporary suspension as a direct leverage tool against Bulgaria to not only strengthen the reform of the corruption benchmarks but also to enhance substantially its administrative capacity to ensure that this temporary suspension did not become permanent. The July 2008 report, like that of Romania also concluded that the safeguard clauses of the Accession Treaty would not be activated at this time, but rather EU support would substituted as a tool for continued reform. The CVM report also concluded that

‘The onus is on the Bulgarian authorities to show the judicial system works and that investigations into corruption and organised crime lead to arrests, prosecution and, depending on the court's judgement, convictions with dissuasive effect and seizure of assets. So far, Bulgaria has not yet been able to demonstrate that its judicial system is working effectively in this manner. Institutions and procedures look good on paper but do not produce results in practice; recommendations are made but are not followed up. The core problems remain and need to be addressed urgently.’²²⁷

While not a stagnation of reforms as such seen in Romania, the Bulgarian situation can be seen to be that the reforms, once implemented, were either structurally weak, or implemented from a framework that was out-of-date or structurally inefficient to deal with the requirements of the Commission. Bulgaria took heed of the issues in the July 2008 CVM report, responding to the challenges of the Commission by implementing developments under all six of the benchmarks, including

²²⁶ European Commission REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL On the Management of EU-funds in Bulgaria COM(2008) 496 final http://ec.europa.eu/dgs/secretariat_general/cvm/docs/bulgaria_report_funds_20080723_en.pdf

²²⁷ European Commission, Report from the Commission to the European Parliament and the Council On Progress in Bulgaria under the Co-operation and Verification Mechanism COM(2008) 495 final http://ec.europa.eu/dgs/secretariat_general/cvm/docs/bulgaria_report_20080723_en.pdf

‘Further measures have been announced with the aim of reducing the uneven workload of the courts, improving administrative management and organising a transparent appointment process which assures a high professional quality and integrity regarding magistrates at management level. On the legislative side the Law on Conflict of Interest has been adopted and the Public Procurement Act been amended’²²⁸

and

‘A significant development regarding Benchmarks 4-6 (corruption and organised crime) was the launching of the pilot project on joint investigation teams composed of representatives from the prosecution, the State Agency for National Security (SANS), and the Ministry of the Interior’

The February 2009 report concluded that while significant progress has been made on the benchmarks thus far, this progress needs to produce convincing and tangible results in the next reporting period. This lack of progress is a clear theme in all reporting from the EU regarding Romania and Bulgaria since the enlargement of 2007, and it must be seen to be clear that even with the Union using suspension of funds against the country as a motivator to continue reform, sadly both countries have fallen behind in this since joining the Union, and this may have implications for future enlargement, as will be seen in the next part. It is perhaps prudent at this juncture to note that economic reforms in these two countries have not stagnated but continue at the level of recent years. GDP per capita continued to rise steadily in both countries (as can be seen in the figure below) as well as FDI, a sign that the economic reforms taken in both countries in order to comply with EU membership targets have long reaching effects on countries in transition.

²²⁸ European Commission, Interim Report from the Commission to the European Parliament and the Council On Progress in Bulgaria under the Co-operation and Verification Mechanism COM(2009) 69 final http://ec.europa.eu/dgs/secretariat_general/cvm/docs/bulgaria_report_20090212_en.pdf

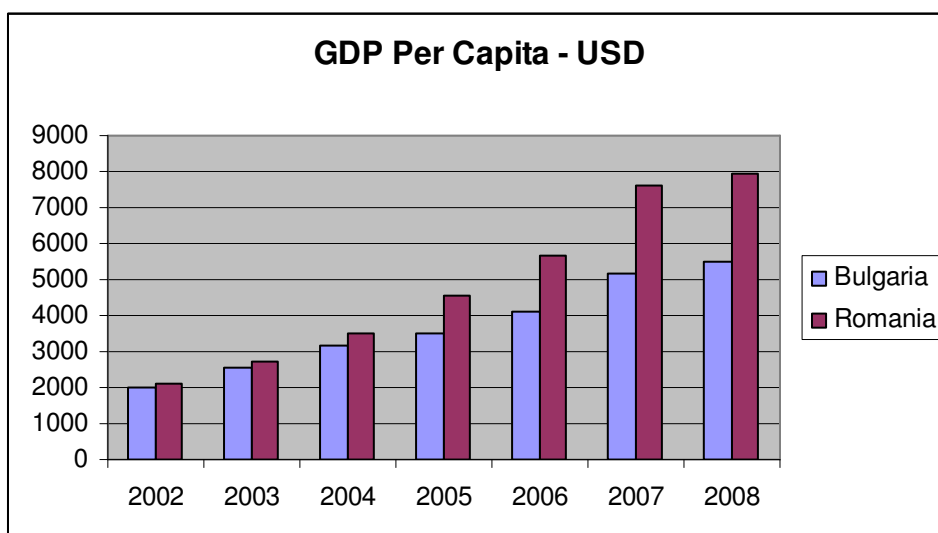


Figure 27 GDP Per Capita – USD (data source: EBRD Transition Report 2008)

If the Union had activated the safeguard clause in the accession treaties of these two countries, actioning the deferment of accession by one year, the EU would have maintained a much tighter control on the rate of reform for these two countries. As the situation stands today, the EU leverage conditions on both Romania and Bulgaria have been slightly weakened by admitting them into the Union in 2007, when (as can be seen from the reporting above) there are still areas of concern that both countries seem to be in no hurry to resolve. In comparing this with the pace of reform pre-accession (from 1997) if the implementation of the safeguard clauses had been activated by the European Union, these two countries would have stood a good chance of finalising all areas of concern held by the Union before they would have earned membership to the European Union in 2008, rather than entering in 2007 and having some reforms (concerned with corruption and justice and home affairs) still unfinished.

5.2 Future enlargement – lessons from Romanian and Bulgarian accession

When looking at future enlargement to the East Zielonka argues persuasively that ‘there is sufficient evidence to argue that these countries are being subject to

even greater scrutiny than the countries that joined the EU in 2004”.²²⁹ In the case of Romania and Bulgaria, this can be clearly seen in the addition of safeguard clauses to the accession treaty, with the clear signal from the Commission that failure to comply to EU conditionality in regards to the membership criteria would amount to the activation of these clauses. But reform does not come to candidate countries from the EU alone. Romania and Bulgaria are both good examples of this. The desire to reform a country must come from internal forces as well, as characterised by the leading authorities. For both Romania and Bulgaria, reform in the early 1990’s was negligible as these countries were both ruled by reconstructed communist parties, those leaders who had most recently held positions of power in the communist system, and had maintained this power after the fall of the communist system through a variety of mechanisms, including a lack of real reform and a weak opposition. It is only through the combination of EU conditionality and leverage and a reform-minded pro-EU government that a country can effectively manage candidacy for the EU. With the establishment of a number of criteria after 1994 by the EU, clear guidance and financial support is given to those countries desiring to become a member of the Union.

For candidate and potential candidate countries it is important for them to take lessons from the accession of Romania and Bulgaria. Governments in Romania and Bulgaria both changed in 1996 – 7 when opposition parties campaigned on a platform of actively pursuing EU membership, which was seen as the most effective way to heal the countries economic and political crises. Lack of reform by the countries previous leadership had not only produced poor economic results for both countries, turning the wave of popular support against them, but also led to both Romania and Bulgaria being excluded from the first round of Central and Eastern state enlargement. Candidate and potential candidates need to be aware that the criteria of accession is one of the important tools of the EU’s foreign policy, and the case of Romania and Bulgaria shows that accession will not be granted unless the Commission is satisfied with the sustained progress of reforms. Both Romania and Bulgaria from 1989 stated

²²⁹ J Zielonka, *Europe as Empire : The nature of the enlarged European Union* (Oxford University Press: New York) 2006, p 112

that their main foreign policy aim was a return to Europe, but for the Commission this intention must be followed with real and lasting reform. For potential candidate member states, it cannot be emphasised enough of the positive impact of accession process on economic reforms and the consolidation of the institutions of democracy. As can be seen in earlier sections, once Bulgaria and Romania had fully committed to the enlargement process, economic gains can be clearly charted. Data from sources such as Freedom House and EBRD also clearly show that the commitment to the enlargement process has a clear correlation with the betterment of social indicators and the overall improvement of democracy scores.

As seen above, for new EU member states, enlargement is not the end of the line. Romania and Bulgaria are subject to close scrutiny from the Commission, however it can be seen, especially in the case of Romania that this scrutiny is not enough to halt the stagnation of reforms after the accession. For Bulgaria, the suspension of EU funds has led to renewed efforts at reform, a mechanism which has been very effective in ensuring that the reform process was carried out, albeit more under direct leverage from the Commission than of a real desire to tackle the problems defined in the benchmarks. For candidate and potential candidate countries it can be seen that the level of scrutiny applied to Romania and Bulgaria both pre and post-accession will be applied to them at the same level. Already candidate countries are following the same path taken as Romania and Bulgaria. A pro-Western government was elected in Croatia in 2000, launching political and economic reforms to help form a closer relationship with the EU, culminating in an application for membership in 2003, and the opening of negotiations in 2005.²³⁰ The Former Yugoslav Republic of Macedonia was granted an Accession Partnership in 2007, while Turkey (who's candidacy has always been somewhat controversial) was granted a revised Accession Partnership in 2007 (the first one being adopted in 2001).

The 2004 enlargement can be seen as the enlargement when European conditionality came into play. The importance of both the Copenhagen Criteria

²³⁰ Vachudova, p 253 For key documents related to the accession process for Croatia, please see http://ec.europa.eu/enlargement/candidate-countries/croatia/key_documents_en.htm

and the *aquis* as tools of conditionality for enlargement were extremely effective for both the EU and for the candidate countries, and this conditionality was only strengthened when applied to the 2007 candidate countries, with the inclusion of safeguard clauses into Romania and Bulgaria's accession treaties, and the continuance of monitoring post-accession. For today's candidate countries the refinement process of enlargement from Brussels continues. In relation to the situation in the Western Balkans a new tool to enhance the enlargement process (the Stabilisation and Association Process) was launched in 1999, the Commission describing the SAP as 'a strategy designed to help the region secure political and economic stabilisation while also developing a closer association with the EU on the way to eventual membership',²³¹ The *aquis* also has been further refined, now consisting of thirty-five chapters, in order to help ease the reform process, especially in regards the implementation of the more difficult chapters.

For all candidate and potential candidate countries, the accession process of Romania and Bulgaria has to be seen both as a guide and a warning. The impact of the European Union on reform in these two countries cannot be denied as a force for positive change. Failure on the part of these countries to effectively reform within the Commissions initial timeframe, unlike the countries that joined the Union in 2004, led directly to the situation where the countries being left behind their counterparts in 2004, and when they did eventually become members in 2007, both Romania and Bulgaria can be seen to have entered the Union on a more unequal footing than their 2004 counterparts, with a poorer economic situation and still battling some major areas of concern in their countries. The more prudent course of action for the Union concerning Romania and Bulgaria may have been to defer the accession date by one year to 2008, to ensure that Romania and Bulgaria were sufficiently ready to enter the Union. In doing this, the reforms that are still outstanding for these two countries (which, in Romania's case seem to be stagnating) may have been completed before accession, negating the need for such close scrutiny as both countries are subject to post-accession. The Union may take heed in future EU

²³¹ Vachudova, p 252, see also Petrovic (2004)

enlargements to ensure that this situation does not occur again, enforcing more stringent policy to ensure that all reforms are completed to the EU's satisfaction before accession is complete.

6. Conclusions – Romania, Bulgaria and the European Union

When examining the history of Romania and Bulgaria, and their relationship with both Western Europe and the European Union it can be seen that there has always been a relationship, if not of equals, than in some respect, a level of friendship. Both countries emerged from the Ottoman Empire with the sincere desire to implement democratic ideals on their new nation states, and while this was not wholly effective, due to a revolving set of internal and external issues such as war, Depression, dictatorship, there remains a constant desire from both Romania and Bulgaria from the events from the late 1800's until WWII to emulate their European counterparts. This desire stagnated with the envelopment of both these countries into the Soviet sphere of influence at the end of WWII, when Romania and Bulgaria were separated from Europe by the Iron Curtain. Romania continued, as best it could, to maintain a relationship with Western Europe, while existing under a brutal dictatorship, concluding trade agreements with the West as well as joining GATT and the IMF. Bulgaria transferred her alliance to the Soviet Union, traditionally her protector, receiving preferential treatment for her subservience.

With the collapse of the communist system in 1989, the idea of 'return to Europe' became one of the guiding ideas of all former Soviet member states. As one of the provisions of the Treaty of Rome is that any European country can apply to join the Union, the idea of a return to Europe was of paramount importance to all ex-communist states. However, the importance of the idea must also be followed with action. In 1989 the European Union had no clear strategy in place to deal with the desire of the Central and Eastern states to become members of the Union. It was from this point forward that European leverage and conditionality came into force when applied to all Central and Eastern European countries, including Romania and Bulgaria. The Union used conditionality to put the emphasis on the applicants for accession conforming to the EU rather than the EU reforming to fit the new members. By the conclusion of the Maastricht Treaty in 1992 the strategy for enlargement was slowly being refined, and with the codification of the Copenhagen Criteria in 1993, Central and Eastern states had been given a clear indication of the requirements of

accession, and a guideline for reform. Romania and Bulgaria are a fine example of the impact the European Union can have on countries in transition.

From the collapse of the communist system in 1989 Romania and Bulgaria joined their counterparts in calls to rejoin Europe, but for these two countries the reality was that in the early 1990's return to Europe was not the key priority for elected officials of these countries. In both Romania and Bulgaria new governments were formed from the old leadership structure, building newly democratic parties whose sole concern was the retention of power. Political, social and economic reform was low on the list of priorities. By not explicitly implementing reforms aimed at forming a closer relationship with the EU (in reality not implementing any serious reforms in the early 1990's at all) like other states in Eastern and Central Europe, when the time came for the European Union to make some concrete decisions regarding candidate countries, Romania and Bulgaria were, not surprisingly, not included.

Conditionality was directly applied to Romania and Bulgaria from the EU from the signing of the first Europe Agreements in 1993, in which the Commission added a some specific direct clauses to outline their belief that Romania and Bulgaria were not technically ready for a Europe Agreement, but were granted more to stabilise the area due to the developing crisis in Yugoslavia. In regards to EU foreign policy, this seems like a sensible solution, however for Romania and Bulgaria the signing of these Europe Agreements helped to legitimise the illiberal governments in power in these two countries, stagnating their path to transition and contributing to the severe political and economic crises in 1996-7. The power of the EU is clear even here, as if Europe Agreements were not signed with these countries in 1993, there may have been an opportunity for opposition parties to have pressed more aggressively for reform with public support. It took a situation of economic crisis in both countries to usher in more pro-EU governments, however the damage by the previous leadership led to the 1997 Commission Opinion that Romania and Bulgaria were judged to not be sufficiently ready to open accession negotiations.

The change in governments in both countries and the accurate opinion by the Commission on the state of Romania and Bulgaria's readiness to join the Union in combination worked to transform both Romania and Bulgaria into potential member states. By working closely with the Commission and responding positively to both the direct leverage and conditionality from the EU, (characterised by the frequent monitoring reports and pre-accession aid) Romania and Bulgaria began the long process of accession negotiations. Using the tools of accession, the Copenhagen Criteria and the *acquis communautaire*, Romania and Bulgaria had a structured framework for the reform of their countries. Without these tools, it can easily be imagined that the reforms in both of these countries would have been much less structured and probably would not have been either as timely or as successful, but that both countries would have continued down the path they were first taking in the early 1990's (a path wherein reconstructed communist governments retained power for themselves at the expense of reform).

As seen in part four, it is possible to examine exactly the impact of the European Union's conditionality tools by tracking the reform process in these two countries in conjunction with the Regular and Monitoring Reports of the European Commission. The only conclusion to make from this is that reform was driven not only by the governing bodies desire to become members of the European Union, but was directly related to the Commissions reports on the progress of these two countries. Political and legislative reform was undertaken within the framework of the conclusions made by these reforms, and remedies were sought due to the areas identified by the Commission of serious concern.

From the opening of accession negotiations, scrutiny of the countries concerned becomes even more stringent. From 2000, both Romania and Bulgaria's transition became more successful as *acquis* chapters were opened and closed. By implementing the changes needed to open and close a chapter, accession countries themselves become stable, and Romania and Bulgaria are a good example of this. Due to the lack of reform progress in the early stages, Romania and Bulgaria were still far behind their Central and Eastern counterparts when the work was begun on the drawing up of the Accession Treaty, which, when

signed had as an extra precaution from the Commission four specific safeguard clauses to allow for any serious shortcomings, another excellent example of EU direct leverage on the accession process. For both Romania and Bulgaria it was a stern warning from the Commission that reforms must continue past accession (especially in the areas where they were behind such as justice and home affairs and corruption), and even with the accession date being kept at 2007, and not delayed to 2008, both countries are still under strict monitoring from the Commission even today. But leverage from the Commission seems to have lost some of its impact on Romania and Bulgaria after accession. The continued monitoring reports point to reforms that have either delayed or stagnated and Bulgaria suffered a suspension of accession funds due to corruption and mismanagement. It may have been a wiser move for the Commission to activate the accession safeguard clause and move accession to 2008, as both countries reform progress in some areas such as corruption, justice and home affairs and organised crime, has slowed considerably after accession. This may not have been the case if the date was delayed, as the countries would have had another year, with their good reform pace, to make the necessary changes which they are struggling with now.

Further research is needed on the situation of EU countries post-accession. This is necessary when looking at the impact of further enlargement of the EU. Research needs to be undertaken to examine how the economic situation of the EU has been affected with the accession of two countries whose economies are in much poorer shape than any of the Central and Eastern states who have joined the EU, as the Romanian and Bulgarian economic situation mirrors many of the potential candidate countries who are working towards EU membership. There could be conceivably be a situation developing in which there are two “Europes” in the EU, separated by economic status. Research also needs to be undertaken to examine the importance of EU influence on countries in transition post-accession. The EU needs to be aware of the implications of accepting countries into the Union that still have a number of issues to resolve even after accession. This research should focus on the importance of ensuring that all reforms required by the Union are fulfilled to the EU’s satisfaction pre-

accession, as it is clear from the situation of Romania and Bulgaria that much EU influence on a country is lost once a country has actually joined the Union.

In conclusion, the research question posed at the beginning of this thesis has been answered. The impact of the European Union has been shown to be the greatest external factor in the transition of Romania and Bulgaria. It is also shown in the above text that without positive EU interventions (through both conditionality and leverage) Romania and Bulgaria's transition would have been nowhere near as successful. Without EU intervention, it can be seen that the transition of these two countries could in no way be guaranteed to have produced either a stable political situation, or a functioning market economy. The benefits of EU conditionality and leverage directly outweigh any hardships the country may suffer during the accession reform process, with the end result of EU membership being the single most important goal, which guarantees political and economic stability and success. Intervention from the EU, especially when charted in Romania and Bulgaria from 1996-7, helped to transform these countries into viable member states, and the lessons learned from Romania and Bulgaria, when not complying with this intervention, must be noted accordingly by candidate and potential candidate states.

Without positive intervention from the EU at crucial periods, neither Romania or Bulgaria would have implemented the kind of change needed for them to fully integrate into Europe and become the latest members of the Europe Club.

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